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THE CHINA CHALLENGE LE DÉFI CHINOIS

PROCEEDINGS

**Meeting
China's
Agribusiness
Challenge**

**A
Strategic
Meeting**

**April 29-30, 1986
Delta Ottawa Hotel
Ottawa, Canada**

COMPTE RENDU

**Le défi
du marché
agro-alimentaire
chinois :**

**Une
stratégie
à définir**

**les 29 et 30 avril 1986
Hôtel Delta Ottawa
Ottawa, Canada**

FOREWORD

The Strategic Meeting on China Agribusiness took place in Ottawa on April 29-30, 1986 at the Delta Ottawa Hotel. This event, under the theme "Meeting China's Agribusiness Challenge", was organized jointly by three federal departments. The sessions provided a forum for sharing information on past experience and current or planned activity in China, and for exchanging views regarding priorities and strategy for the future.

The meeting was attended by a total of some 150 representatives from Canadian companies, which had experience or demonstrated a commitment to exporting to the Chinese market, as well as by representatives from both the federal and provincial governments.

The following Proceedings cover the two-day meeting. The presentations were edited for printing. Also included are the conclusions and recommendations compiled from the Working Groups, copies of which were distributed previously to conference attendees.

We would welcome your comments and invite you to send them to:

c/o China Challenge
Organizing Committee
International Market
Development Division
International Programs Branch
Agriculture Canada
Room 1047
Sir John Carling Building
Ottawa, Ontario
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Government
Publication

PRÉFACE

Une réunion stratégique sur le marché agro-alimentaire chinois eut lieu les 29 et 30 avril, 1986 à l'hôtel Delta d'Ottawa. Cette rencontre, qui avait pour thème, "Le défi du marché agro-alimentaire chinois, une stratégie à définir", fut conjointement organisée par trois ministères fédéraux. Le but de cette réunion était de fournir un forum où les plus récentes informations et expériences commerciales relatives à la Chine pourraient être partagées et discutées afin d'établir les priorités et une stratégie pour le futur.

Quelques 150 participants assistèrent à la rencontre. Ceux-ci représentaient diverses compagnies canadiennes ayant démontré de l'intérêt pour exporter en Chine ainsi que les gouvernements fédéral et provinciaux.


Le compte rendu qui suit couvre les deux jours de cette réunion stratégique. Les conférences présentées ont été quelque peu modifiées à des fins de compréhension. Vous trouverez de plus en annexe les conclusions et recommandations des groupes de travail, lesquelles ont déjà été distribuées aux participants de la rencontre.

Nous apprécierions vos commentaires et vous encourageons à les faire parvenir à l'adresse suivante :

a/s Comité organisateur du
"Défi chinois"
Division du développement des
marchés internationaux
Direction générale des
programmes internationaux
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	Deputy Minister Agriculture Canada	

The objective of the meeting is to work toward a cooperative strategy for pursuing agricultural development opportunities in China. Agriculture Canada supports a sound strategic approach to all facets of agriculture and is following this course in the Department with the establishment of its commodity coordinating groups.

Keynote Address	The Honourable John Wise.....	3
	Minister of Agriculture	

Recent activities by Agriculture Canada to assist the Canadian exporters in the China market include establishment of the Canada/China Joint Agricultural Committee, participation at Ag China '85, the five animal health agreements and the MOU for plant quarantine cooperation. Twinning initiatives by the provinces as well as cooperative efforts amongst federal departments provide the best possible support to agribusiness exporters.

New Trends in China's Food Consumption	Dr. Vaclav Smil	7
and Production	Professor of Geography University of Manitoba	

Rapid growth of agricultural production has moved China from food deficiency to an average level to support its population in only a few years. Nevertheless, the situation is contradictory with major hurdles to overcome. China needs to improve production of rice, wheat, corn, potatoes, soybeans and livestock. Regional disparities contribute to pockets of poverty in each State, worsening toward the northwest. Major problems include the lack of transportation infrastructure, the lack of diversity and protein in the Chinese diet, the difficulty of continuing to maintain this level of food production, and irrational pricing policies for food and energy. Fundamental is environmental management of the agricultural system: there are no easy solutions to China's severe water and electricity shortages and deforestation and erosion are among the worst in the world.

SECTION II: PRIORITIES AND CONSTRAINTS

Federal Panel: Chairman:W.H. Montgomery
Director General
East Asia Bureau
External Affairs

External AffairsRick Mann 13
Director, East Asia
Trade Development Division

The recent history of Canada/China relations began with the signing of the Canada/China Trade Agreement in 1973. The foundation of our export trade with China is wheat but new opportunities lie in grain distribution systems, feed processing systems and equipment, food processing technology and livestock. Facilities and programs available to the exporter through the Department of External Affairs are described.

Agriculture CanadaYvan Jacques 17
Assistant Deputy Minister
Marketing and Economics Branch

Canadian producers and exporters can take advantage of the present Chinese agricultural situation, but several constraints must be overcome. Agriculture Canada and the Ministry of Agriculture in China have an historical relationship including the signing of an MOU, JAC Activities and the Animal Health and Phytosanitary Agreements. These were important steps in providing the necessary groundwork to allow the Canadian private and public sectors to benefit from commercial sales in China.

Canadian International DevelopmentArt Wright 21
Agency Vice-President
Asia Branch

Several myths exist about dealing with China. In the future, China's agricultural imports will emphasize access to Canadian technology. Canada should strive for a long term economic relationship and not a one-time sale. The CIDA program has three channels to assist the Canadian agri-food sector: the bilateral channel, the Industrial Cooperation one, and finally, Institutional Cooperation. CIDA asks for feedback on its discussion paper with particular reference to sub-sector priorities and geographic priorities.

Export Development Corporation	1) Ken Hamp	25
	Assistant Manager Pacific and North Asia Department	

EDC is a Canadian Crown Corporation whose main purpose is to provide export financing and insurance services to facilitate the sales of Canadian goods and services abroad. Canada's capabilities in China flow from a \$2 billion General Financing Protocol agreement with the Bank of China. Lines of credit for use in China are now in place in Singapore with units of some Canadian banks and eventually with the Hong Kong Shanghai Banking Corporation. Each of these lines represent up to US \$10 million in additional financing availability.

	2) Grady Kittleson	27
	Assistant Manager Agricultural Insurance Services	

Unlike the financing side, the EDC insurance group is not broken down into geographic areas. During the last twelve months EDC has responded to the impending wind up of Canagrex by developing a bulk agriculture program as a replacement. This program was developed in two phases which were respectively introduced on October 1, 1985 and January 1, 1986.

SECTION III: MARKETING IN CHINA

Exporters' Panel: Chairman	Dennis Browne Director General Agriculture, Fish and Food Products Bureau External Affairs Canada
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Advertising and Promotion	Howard Cummer	29
	Director Market Development Canpotex Ltd.	

Canpotex's advertising campaign in China is attempting to lower the ratio of nitrogen to potash use with important implications for Canpotex which has 80% of the market. A Hong Kong advertising company did a survey in Southern China which led Canpotex to begin radio and newspaper advertisements, and distribution of pamphlets. The campaign also uses demonstration plots with field days and is now moving into television advertising.

Joint Venture/Consortium	Ed Buchik	31
	Vice-President	
	World Trade	
	Simon Day Ltd.	

Simon Day Ltd. has its experience in setting up a consortium in China for seed cleaning and sizing equipment. In order to be successful, much time, effort and money have to be spent. For example, it took 21 days to negotiate a contract in China that would take only two or three days in Canada. Training and supervision are also a must. Companies should be prepared to invite Chinese to Canada at their expenses for 15 to 20 days.

Technological Transfer	Dr. Cheng-Hock Choong	33
	Director, Asian Division	
	Semex Canada	

Semex Canada is the international marketing arm of the Canadian artificial insemination industry for bovine semen. The firm exports annually to about 50 countries. Client countries importing Canadian bovine semen simultaneously receive Canadian technology in the form of information concerning our progeny testing system. Besides participating as the executing agency for the Harbin Project in China, Semex Canada has provided "hands on" training programs; more recently, it instituted an International Dairy Training School for training in dairy cattle management, nutrition and breeding, giving experience in how to achieve a successful transfer of technology program.

Doing Business in China	Robert Gray	37
	President	
	Shaver Poultry Breeding	
	Farms Ltd.	

The following recommendations are made for doing business in China: be familiar with Chinese geographic centres for your product; carefully think out a marketing strategy and be prepared with your offer before negotiating; be familiar with the Chinese ordering and financing sequence for your commodity; translate all technical literature into Chinese and utilize a good translator at trade shows; and, give quotes in U.S. dollars during negotiations.

Development and Cooperation Program	Bill Robertson	41
	Executive Director Canadian Seed Growers' Association	

Canada may have suffered in the past from a lack of national focus vis-à-vis China particularly in the agriculture sector. A common approach is necessary for Canada to do well in the China market, with better communication and accountability. In order to keep momentum from this meeting, a small group should continue to provide a flexible, easy to access information exchange and all interested parties must make a firm commitment to cooperation.

SECTION IV: PROVINCIAL EXPERIENCE AND PROPECTS IN THE CHINESE AGRI-FOOD SECTOR

Provincial Panel: Chairman	Yvan Jacques Assistant Deputy Minister Marketing and Economics Branch Agriculture Canada
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British Columbia	Dr. Gordon A. MacEachern	45
	Deputy Minister B.C. Ministry of Agriculture and Food	

The B.C. Ministry of Agriculture and Food has certain objectives in China which were helped by participation at Ag China 84. Up to now, B.C. has concentrated its efforts in the provinces of Liaoning, Tinghai, Zhegiang and Quangdong where several agreements have been signed - ranging from centers of genetic excellence for dairy cattle and a fruit processing complex to range land development. B.C. has experience in addressing the agri-food potential in China. The private sector will benefit from the efforts of the "China Challenge" sponsoring federal departments.

Alberta	Barry Mehr	49
	Assistant Deputy Minister Marketing Alberta Agriculture	

From a provincial perspective, Alberta considers the PRC on the same priority list as the ASEAN countries, the EEC, Mexico, South Korea and the Soviet Union. A modest market for Canadian feed grains is expected in the medium and long term as China begins to reach its dairy and meat production objectives. Alberta is twinned with the Heilongjiang province and signed an agricultural sub-agreement. Alberta's objectives are as follow: pursue dairy and beef genetic opportunities; pursue crop genetic opportunities with emphasis on forages; pursue technology transfer opportunities, particularly in the fields of dairy and livestock production, processing, distribution and marketing, including pasture development.

Saskatchewan	Michael Crosthwaite	53
	Assistant Deputy Minister Trade Development Division Saskatchewan Department of Economics and Trade	

Since establishing a twinning relationship with Jilin Province in 1981, Saskatchewan's goal is to build on the friendship to maintain or increase sales of traditional exports of wheat and potash. The approach includes technical exchanges, fairs and missions, and a trade office in Hong Kong. For potash, the province has established an innovative \$1 m advertising campaign in China backed by a CIDA project for potash research and demonstration plots. Saskatchewan aims at increasing exports of breeding livestock, seeds, genetic material and agricultural expertise through complete packages including technical assistance.

Ontario	Dr. George Collin	57
	Assistant Deputy Minister Marketing & Economics Division Ontario Ministry of Agriculture and Food	

China offers a good market for production inputs for primary agriculture as well as technology transfer of all aspects of agricultural production and processing. Negotiating commercial sales in China has changed with the move toward direct contact with officials in remote provinces. Developing business will be a slow process, but exports to China can be stimulated by many government programs and agreements, both trade and aid related.

Quebec	Henri-Paul Blanchard	61
	Director International Markets Quebec Department of Agriculture, Fisheries and Food	

Quebec's China Strategy is based on matching the province's areas of expertise with regional or local partners in China. An agricultural cooperative agreement was signed with the province of Shaanxi and the City of Montreal was twinned with Shanghai. Several opportunities in the agri-food sector have been identified, such as dairy, swine, food processing and beer manufacturing.

SECTION V: CHINA'S PERSPECTIVE

Embassy of the People's Republic of China in Canada	Chen Keqiang	65
	Counsellor (Commercial) Embassy of the People's Republic of China	

During the seventh five-year plan, annual growth of agricultural output will average 6%. China will expand production of staples in suburban areas and raise the technological level of agricultural production. Cooperation in agriculture is a key link between Canada and China, and China is benefiting from Canadian agricultural technology through about ten CIDA funded projects. Current reforms will promote further trade and foreign investment.

China's new five-year plan	Dr. Paul Lin	69
- implications for Canada	Professor Institute of Asian Research University of British Columbia	

China's seventh five-year plan marks a new era, the beginning of a consumer economy. A technological leader until recent centuries, China is now modernizing through a combination of economic reform and an "open door" policy. The sixth five-year plan was enormously successful in growth of production, particularly in food. With the present plan, China is attempting a complete transformation of the social order. It must control the rate of economic growth which could become counterproductive. It will focus on decentralization, enterprise autonomy and macroeconomic control.

Chinese commercial negotiating styleDr. Lucian W. Pye 77
Professor of Political Science
Massachusetts Institute of Technology

In the context of the rapid changes taking place in China today and the extreme diversity of the Chinese environment, North American businessmen negotiating in China have encountered numerous problems. After finding the right partner, cultural differences make negotiating difficult. The Chinese style is based on establishing a relationship. Letters of intent are central but often ignored by the Westerner. The Chinese idea of friendship allows for a lack of reciprocity (Westerner as continual giver) and for continuing to negotiate after the contract is signed. Sensitivity, patience and understanding of the Chinese cultural context are necessary.

SECTION VI: WORKING GROUPS' CONCLUSIONS AND RECOMMENDATIONS

ChairmanDavid Gilmour
Special Advisor to the
Deputy Minister
Agriculture Canada

Topics

Export Financing
Priorities for Commodities and
other exports
Geographic Priorities
Government Priorities

Group Leaders

- 1) Bill Robertson
Executive Director
Canadian Seed Growers'
Association
- 2) Bob Kelly
President
Interimco Projects
Engineering Corporation
- 3) Patrick Donahue
Asian Trade Division Head
Interal Marketing Inc.
- 4) Craig McDonald
Project Manager
Howe International Limited

SECTION VII: ADJOURNMENT

Closing RemarksThe Honourable Charles Mayer .. 85
Minister of State
(Canadian Wheat Board)

Canada's trade with China remains very important. On the agricultural exports side, China continues to be one of Canada's most important markets for grain. Each year since 1961, large quantities of wheat both within and outside long term agreements have been purchased by China. The federal government's overall trade strategy is tied to GATT negotiations and to freer and fairer trade with the U.S.

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SECTION I: INTRODUCTION

Mot de bienvenue du président	J.P. Connell	1
	Sous-ministre Agriculture Canada	

L'objectif de la réunion est de tenter d'établir une action coordonnée afin de développer les opportunités agricoles en Chine. Agriculture Canada appuie l'approche stratégique en agriculture ainsi qu'au Ministère avec l'établissement de groupes de coordination de denrées.

Discours d'ouverture	L'honorable John Wise.....	3
	Ministre de l'Agriculture	

Quelques récentes mesures prises par le ministère de l'Agriculture pour aider les exportateurs canadiens sur le marché chinois, comprennent notamment: la création de la Commission mixte Canada-Chine sur l'agriculture, la participation à Ag China '85 ainsi que la ratification des accords zoosanitaires et du protocole d'entente de coopération en matière de quarantaine des végétaux. Le ministre loue l'initiative de jumelage prise par les provinces, de même que la collaboration manifestée par plusieurs ministères fédéraux pour aider du mieux possible les exportateurs de biens et de services agro-alimentaires.

Les nouvelles tendances en production et consommation d'aliments en Chine	Vaclav Smil	7
	Professeur de géographie Université du Manitoba	

Grâce à la croissance rapide de son agriculture, la Chine est passée, en quelques années, d'un manque à produire à une production moyenne suffisante, et cette tendance est appelée à se maintenir. Néanmoins, la situation est contradictoire, et de nombreux obstacles restent à surmonter. La Chine doit améliorer sa production de riz, de blé, de maïs, de pommes de terre, de soja et de bétail. Les inégalités régionales se traduisent par des îlots de pauvreté dans chaque Etat, phénomène qui va en empirant vers le nord. L'infrastructure du réseau de transport est inadéquate. Parmi les autres problèmes, mentionnons: un régime alimentaire peu varié et pauvre en protéines, la difficulté à maintenir le rythme de production des aliments et les politiques irrationnelles de tarification des denrées et de l'énergie. La Chine se doit de mieux gérer l'aspect environnemental de son agriculture et aura de la difficulté à surmonter ses graves pénuries d'eau et d'électricité. De plus, ses problèmes de déboisement et d'érosion sont parmi les pires au monde.

SECTION II: PRIORITÉS ET CONTRAINTES

Table ronde du gouvernement fédéral:W.H. Montgomery
Président Directeur général
Asie de l'Est
Ministère des Affaires
extérieures

Affaires extérieuresRick Mann 13
Directeur, Asie de l'Est
Direction de l'expansion du
commerce en Asie de l'Est

Un tableau de l'histoire récente des relations Canada-Chine, est brossé, en commençant par la signature de l'entente commerciale entre les deux pays en 1973. Notre marché d'exportation avec la Chine repose sur le blé, mais de nouveaux débouchés s'ouvrent à nos systèmes de distribution du grain, à notre matériel de transformation des provendes, à notre bétail et à notre technologie alimentaire. Les installations et les programmes offerts aux exportateurs par l'intermédiaire du ministère des Affaires extérieures sont décrites.

Agriculture CanadaYvan Jacques 17
Sous-ministre adjoint
Direction générale de la
commercialisation et de l'économie

Les producteurs et les exportateurs canadiens peuvent tirer parti de la présente situation agricole en Chine. Y sont énumérés plusieurs obstacles à surmonter de même que les événements qui ont marqué les relations entre les ministères de l'Agriculture des deux pays. La signature d'un protocole d'entente, les travaux de la Commission mixte sur l'agriculture et la ratification d'ententes zoo- et phytosanitaires ont été des étapes importantes dans l'aménagement d'une voie permettant aux secteurs privé et public canadiens de bénéficier des ventes en Chine.

Agence canadienne de développementArt Wright 21
international Vice-président
Direction générale de l'Asie

Plusieurs mythes existent sur la façon d'entretenir des rapports avec la Chine. Dans l'avenir, la Chine essaiera surtout d'importer de la technologie canadienne. Notre pays devrait essayer d'établir des relations économiques à long terme avec la Chine et non pas de conclure une vente occasionnelle. Le programme de l'ACDI offre trois voies pour aider le secteur agro-alimentaire canadien: la voie des échanges bilatéraux, la voie de la coopération industrielle et, enfin, celle de la coopération des institutions. L'ACDI demande qu'on lui fasse part des commentaires suscités par son document de travail, en tenant compte surtout des intérêts des sous-secteurs et des régions géographiques.

Société pour l'expansion des exportations	1) Ken Hamp	25
	Directeur adjoint Service du Pacifique et de l'Asie du Nord	

La SEE est une société de la Couronne dont le but principal est de fournir une aide au niveau du financement des exportations et de l'assurance afin de faciliter les ventes de biens et services canadiens à l'étranger. Les capacités financières canadiennes en Chine proviennent d'une entente de deux milliards de dollars avec la Banque de Chine. Des lignes de crédit sont maintenant disponibles par l'entremise de banques canadiennes situées à Singapour ainsi que, sous peu, avec la Hong Kong Shanghai Banking Corporation. Chacune de ces lignes de crédit représente jusqu'à \$10 million U.S. de financement additionnel disponible.

2) Grady Kittleson	27
Directeur adjoint Service d'assurance pour les agriculteurs	

Contrairement à la section du financement, le groupe de l'assurance des exportations à la SEE n'est pas divisé en régions géographiques. Durant la dernière année, la SEE a répondu au démantèlement de CANAGREX en développant son propre programme agricole. Celui-ci a été créé en deux phases, lesquelles furent introduites successivement le 1er octobre 1985 et le 1er janvier 1986.

SECTION III: LA COMMERCIALISATION EN CHINE

Table ronde des exportateurs:	Dennis Browne
Président	Directeur général Direction générale de l'agriculture, des pêcheries et des produits alimentaires Ministère des Affaires extérieures

Publicité et promotion	Howard Cummer	29
	Directeur Développement des marchés Canpotex Ltd.	

La campagne publicitaire de Canpotex en Chine essaie de diminuer la proportion utilisée d'azote contre la potasse. Ce rapport a d'importantes conséquences pour Canpotex qui possède environ 80% du marché. Suite à une enquête menée par une agence de publicité située à Hong Kong, Canpotex a débuté un programme de promotion comprenant des annonces publicitaires à la radio et dans les journaux ainsi que la distribution de brochures. La campagne utilise aussi des parcelles de démonstration combinées à des journées agricoles et se tourne maintenant vers la publicité télévisée.

Consortium/"Joint Venture"	Ed Buchik	31
	Vice-président Commerce mondial Simon Day Ltd.	

La société Simon Day Ltd. a de l'expérience dans l'établissement d'un consortium en Chine pour la vente de matériel de nettoyage et de calibrage des semences. Pour réussir, il faut y consacrer beaucoup de temps, d'efforts et d'argent. Par exemple, la négociation d'un contrat en Chine a duré 21 jours alors qu'il n'en aurait fallu que deux ou trois au Canada. La formation et la supervision sont également essentielles. Les entreprises doivent être prêtes à inviter à leurs frais les Chinois au Canada pour quinze à vingt jours.

Transfert technologique	Cheng-Hock Choong	33
	Directeur Division de l'Asie Semex Canada	

Semex Canada commercialise la semence bovine sur une base internationale pour l'industrie canadienne de l'insémination artificielle. Cette entreprise exporte annuellement vers 50 pays. Les pays devenus clients reçoivent également de la technologie canadienne sous forme d'information concernant notre système d'évaluation génétique. En plus d'être l'agent d'exécution pour le projet de Harbin en Chine, Semex Canada fournit des programmes pratiques de formation; dernièrement, la compagnie a ouvert une école internationale en formation laitière laquelle comprend des cours en gestion de bétail, nutrition et élevage. Des suggestions sont émises afin de réussir un programme de transfert technologique.

Faire des affaires en Chine	Robert Gray	37
	Président Shaver Poultry Breeding Farms Ltd.	

Voici quelques conseils sur la façon de conduire des affaires en Chine: se familiariser avec les centres géographiques du pays auquel on destine son produit; bien penser à une stratégie de commercialisation et avoir une offre prête avant les négociations; connaître l'ordre suivi en Chine pour les commandes et le financement de son type de produit; traduire toute la documentation technique en chinois et avoir recours aux services d'un bon interprète aux foires commerciales; donner les cotes en dollars américains durant les négociations.

Programme de développement et de coopération	Bill Robertson	41
	Directeur exécutif Association canadienne des producteurs de semence	

Le Canada a pu souffrir en Chine d'un manque de convergence nationale des efforts, et ce, particulièrement dans le secteur agricole. Une approche commune est nécessaire, ainsi qu'un meilleur système de communication et de prise de responsabilités. Afin de conserver l'élan de cette rencontre, un petit groupe devrait se charger de distribuer l'information et tous les groupes intéressés devraient sérieusement s'engager à coopérer.

SECTION IV: PERSPECTIVES ET EXPÉRIENCES PROVINCIALES DU SECTEUR AGRO-ALIMENTAIRE CHINOIS

Table ronde des gouvernements provinciaux: Président	Yvan Jacques Sous-ministre adjoint Direction générale de la commercialisation et de l'économie
---	--

Colombie-Britannique	Gordon A. MacEachern	45
	Sous-ministre Ministère de l'Agriculture et de l'Alimentation	

Le ministère de l'Agriculture et de l'Alimentation de la Colombie-Britannique a plusieurs objectifs en Chine et a participé à Ag China '84. Jusqu'à présent, la Colombie-Britannique a concentré ses efforts dans les provinces de Liaoning, de Tanghai, de Zhegiang et de Quangdong avec lesquelles des ententes ont été signées dans plusieurs domaines, allant de la fondation de centres d'amélioration génétique des bovins laitiers à l'établissement d'une super-usine de transformation des fruits en passant par l'aménagement de pâturages. Elle donne plusieurs suggestions sur la façon de tirer parti du potentiel agro-alimentaire en Chine et reconnaît les efforts des ministères provinciaux qui ont donné leur appui au "Défi chinois".

Alberta	Barry Mehr	49
	Sous-ministre adjoint	
	Commercialisation	
	Ministère de l'Agriculture	
	de l'Alberta	

Au point de vue priorité provinciale, l'Alberta situe la Chine sur le même plan que les pays de l'ANASE, de la CEE, du Mexique, de la Corée du Sud et de l'Union soviétique. Le marché des céréales fourragères, quoique modeste, pourrait devenir intéressant pour le Canada à moyen ou long terme, à mesure que la Chine essaie d'atteindre ses objectifs de production laitière et animale. L'Alberta, grâce à son jumelage à la province chinoise de Heilongjiang, a signé une sous-entente agricole. Les objectifs de l'Alberta sont les suivants: poursuivre les opportunités dans les secteurs laitiers et bovins; poursuivre les opportunités en cultures génétiques, particulièrement en fourrages; poursuivre les opportunités de transfert technologique, spécialement dans les domaines de production laitière et animale, de transformation, distribution et commercialisation et de développement de pâturages.

Saskatchewan	Michael Crosthwaite	53
	Sous-ministre adjoint	
	Division de l'expansion du	
	commerce	
	Ministère de l'économie et du	
	commerce de la Saskatchewan	

Depuis son jumelage avec la province de Jilin en 1981, la Saskatchewan s'est donnée comme objectif d'entretenir des liens amicaux pour maintenir ou même accroître ses exportations traditionnelles de blé et de potasse. Pour cela, elle procède à des échanges techniques, organise des foires et des missions commerciales et a installé un bureau d'affaires à Hong Kong. En ce qui concerne la potasse, elle a lancé en Chine une campagne de publicité innovatrice d'un million de dollars, soutenue par un projet de recherche sur la potasse et de démonstration sur parcelles mis en oeuvre par l'ACDI. La Saskatchewan essaie d'augmenter ses exportations d'animaux reproducteurs, de semences, de matériel génétique en offrant à la Chine un ensemble complet de biens et de services y compris de l'aide technique pour qu'elle puisse améliorer sa propre agriculture.

Ontario	George Collin	57
	Sous-ministre adjoint Division de la commercialisation et de l'économie Ministère de l'Agriculture et de l'Alimentation de l'Ontario	

La Chine offre de bons débouchés aux facteurs de production agricole de même qu'au transfert technologique pour tous les aspects de la production et de la transformation agricoles. La négociation de ventes en Chine se modifie avec la tendance des contacts directs avec des représentants de provinces éloignées. Le développement des affaires se fera lentement, mais les exportations vers la Chine peuvent être stimulées par de nombreux programmes et accords gouvernementaux en matière d'aide et de commerce.

Québec	Henri-Paul Blanchard	61
	Directeur des marchés extérieurs Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec	

La stratégie du Québec repose sur le jumelage des zones spécialisées de la province avec des régions ou des localités chinoises. Une entente de coopération agricole a été signée avec la province de Shaanxi, et Montréal est jumelée avec Shanghai. Plusieurs possibilités s'offrent au secteur agro-alimentaire, notamment pour l'élevage de bovins laitiers et de porcs, la transformation alimentaire et la brasserie.

SECTION V: PERSPECTIVES CHINOISES

Ambassade de la République populaire de Chine au Canada	Chen Keqiang	65
	Conseiller en Affaires commerciales Ambassade de la République populaire de Chine	

Au cours du septième plan quinquennal chinois, on estime que la croissance annuelle de la production agricole atteindra 6% en moyenne. La Chine augmentera sa production de denrées de base dans les régions urbaines et utilisera plus de technologie en production agricole. La coopération agricole unit le Canada et la Chine, celle-ci bénéficiant de la technologie agricole canadienne par l'entremise des quelques dix projets financés par l'ACDI. Les réformes actuelles favoriseront un accroissement du commerce et de l'investissement étranger.

Le nouveau plan quinquennal chinois et ses répercussions au Canada	Paul Lin Professeur Institut de recherches asiatiques Université de la Colombie- Britannique	69
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Le septième plan quinquennal chinois correspond à une nouvelle ère, celle de l'émergence d'une économie de consommation. Chef de file dans le domaine technologique au cours des derniers siècles, la Chine est en train de se moderniser grâce à une combinaison de réformes économiques et une politique d'ouverture au monde industrialisé. Le sixième plan quinquennal fut très réussi au point de vue production alimentaire. Par l'entremise du nouveau plan, la Chine essaie de transformer l'ordre social. Elle doit contrôler son taux de croissance économique pour ne pas contrecarrer cette dernière. Elle agira ainsi au niveau de la décentralisation, de l'autonomie des entreprises et du contrôle macro-économique.

30 avril, 1986: PLANIFIER LA STRATÉGIE

La négociation commerciale en Chine	Lucian W. Pye Professeur de Sciences politiques Massachusetts Institute of Technology	77
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Reconnaissant l'évolution rapide de la Chine d'aujourd'hui et son extrême diversité, des exemples précis sont fournis pour décrire les problèmes auxquels se heurtent les gens d'affaires nord-américains qui négocient en Chine. Même après avoir trouvé le bon partenaire, il est difficile de négocier à cause des différences culturelles. Pour les Chinois, les affaires reposent sur l'établissement d'une relation. Les lettres d'intention sont capitales pour eux, mais sont souvent ignorées des Occidentaux. Leur concept de l'amitié admet l'absence de réciprocité (l'Occidental étant vu comme un donneur continu) et la poursuite des négociations après la signature du contrat. Il est recommandé d'être sage et patient et d'essayer de comprendre la culture chinoise.

SECTION VI: CONCLUSIONS ET RECOMMANDATIONS DES GROUPES DE TRAVAIL

PrésidentDavid Gilmour
Conseiller spécial du
sous-ministre
Agriculture Canada

Sujets

Financement des exportations
Produits et denrées prioritaires
Régions-cibles
Priorités gouvernementales

Présidents des ateliers

- 1) Bill Robertson
Directeur exécutif
Association canadienne des
producteurs de semence
- 2) Bob Kelly
Président
Interimco Projects
Engineering Corporation
- 3) Patrick Donahue
Directeur
Division du commerce avec l'Asie
Interal Marketing Inc.
- 4) Craig McDonald
Chargé de projets
Howe International Ltd.

SECTION VII: CLÔTURE

Mot de la finL'honorable Charles Mayer 85
Ministre d'Etat
(Commission canadienne du blé)

L'importance des échanges commerciaux entre le Canada et la Chine est souligné. Sur le plan agricole, la Chine continue d'être un de nos principaux importateurs de céréales. Chaque année, depuis 1961, elle achète d'énormes quantités de blé dans le cadre ou non d'ententes à long terme. La stratégie commerciale du gouvernement fédéral est reliée aux négociations du GATT et au désir d'un commerce plus libre et plus loyal avec les Etats-Unis.

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CHAIRMAN'S OPENING REMARKS

Mr. J.P. Connell
Deputy Minister
Agriculture Canada

May I begin by welcoming each of you to the opening session of this two-day strategy meeting. Over the next two days, we'll discuss how we can respond competitively and cooperatively to the challenge of China's agricultural market.

Agriculture Canada, the Canadian International Development Agency (CIDA) and the Department of External Affairs, have worked together to organize this meeting. In addition, we have representatives from Crown Corporations, including the Export Development Corporation; provincial and federal governments; the grain sector; the livestock export sector; consulting firms; and financial institutions involved in export credit.

The objective of this meeting is to work toward a cooperative strategy for pursuing agricultural development opportunities in China. Of course, there have been many important initiatives, and many successes, already. For instance, some of you joined me last November on an official visit to China, where we held a successful inaugural meeting of the Canada-China Joint Agricultural Committee. The second meeting of the Committee will occur here in Ottawa in 1987.

There's no doubt that we stand a better chance of improving our agricultural trade if we have a strategic plan - a plan that involves all the interested parties in both the public and private sectors. At Agriculture Canada, we are convinced of the value of a sound strategic approach - not just in matters of trade, but for most sectors of the agriculture industry.

That's why we established six new commodity groups within the department. Coordinators have been appointed for most of the groups, and the remaining ones will be appointed soon. Each coordinator will lead a team of people drawn from the public and private sectors. Their job is to develop long-term development strategies for their commodities.

These strategies will allow the department to direct its activities along commodity lines. And, the strategies can serve as a guide for industry people, too. I trust this new orientation at Agriculture Canada will further improve our service to - and our ties with - those of you in the agriculture and food industry.

The Honorable John Wise
Minister of Agriculture

It's a pleasure to speak to this unique gathering of representatives from the federal and provincial governments, and from the agriculture and food industry.

I'm reminded of a commitment that Prime Minister Brian Mulroney made when we took office. He pledged that the Government of Canada would work to foster a spirit of cooperation among the federal and provincial governments and the private sector in this country. This seminar is convincing proof that the cooperative approach can work - and is working.

We're all here today for essentially the same reasons. First, each of us recognizes that the People's Republic of China is an important agricultural market for Canada. We also know that China is committed to modernizing and developing its agricultural industry. We see the potential for Canadians, the potential to participate in China's agricultural development; the potential to sell our expertise and technology; and the potential to diversify our agricultural trade with this very sizeable market.

Despite a decline in our grain sales to China, there have been some very positive developments in our trade relationship with this country. The challenge is to diversify our agricultural trade with this important trading partner.

I take great pride, as I'm sure you do too, in the many efforts we've made together during the past 18 months to strengthen our ties with China.

In April of 1984, the Honorable Alvin Hamilton, a former Canadian Minister of Agriculture, visited China with a group of business people and officials from my department. This delegation laid the groundwork for an official visit last November led by my Deputy Minister, Peter Connell. Murray Cardiff, who's a Member of Parliament with a long-standing interest in China, accompanied Alvin Hamilton in 1984, and he was a prominent member of this latest delegation, too.

The visit was an unqualified success. An amendment was signed to the Canada/China Memorandum of Understanding to establish the Canada/China Joint Agricultural Committee. As a result of the first meeting of this Committee - which was held during the visit - we now have a solid framework for agricultural cooperation between Canada and China. In fact, agreements were reached on 15 joint projects covering scientific research, food production and inspection, and scientific exchanges. Some of you will no doubt be involved in these.

While in China, members of the Canadian delegation also took an active role in AgChina '85, China's largest agriculture trade show ever. Those of you here this morning who were involved in the show, know that Canada put on a first-rate presentation.

The Canadian pavilion was the largest single entry at the exhibition. More than 50 companies were represented. A number of commercial contacts were made by individual exhibitors. In fact, it's estimated that well over \$1 million in sales were made on site, and another \$8.6 million in sales are expected during this coming year. Even more importantly, our participation reinforced Canada's commitment to actively participate in China's agricultural development.

Other initiatives are being planned for this spring and summer that will further strengthen the Canada/China bond. In May, the Prime Minister will visit China to discuss foreign policy matters, including trade. While he's there, I expect that a new Memorandum of Understanding on plant quarantine cooperation will be signed. This will open the door to exports of genetic material. I cannot over-emphasize the importance of these health agreements.

Just last year Canada and China signed five animal health agreements covering semen, embryos, live cattle, pigs and poultry. As a result, Canada has subsequently been able to make shipments of live cattle and swine into China. The value of our semen exports to China grew dramatically in 1985 from \$44,000 to nearly \$1 million. Animal product exports to China increased four fold to more than \$11 million last year.

Looking at other initiatives, my colleague, the Minister of State for the Canadian Wheat Board, will lead a business delegation to China in June. In late summer, the Vice-Governor of Sichuan province, Liu Chun Fu, will visit Canada. And in August 1986, Chinese Agriculture Minister He Kang will visit Canada at my invitation. This will give us another opportunity to demonstrate Canada's diversity in agriculture. And, we'll continue to promote Canada as a partner in Chinese development through cooperation and trade.

Provincial governments are also taking an active interest in Canada-China relations. I commend and encourage these efforts. Alberta, for instance, has set up a twinning program with the northeast province of Heilongjiang in China. Saskatchewan has a similar twinning arrangement with Jilin province and Ontario is twinned with Jiangsu province. There are other examples of twinning - province to province, city to city, and port to port. In every case, the participants recognize that Canada has an opportunity now to diversify its agricultural trade with China.

Of course, we value our long-standing position as a preferred supplier of wheat. But as we all know, Canada has much more to offer. We've developed hardier, more productive breeds of livestock. We have crops that mature faster, and stand up to the weather better. And, we can share our knowledge about livestock technology and management.

These are the messages we're delivering to China. And, we're doing it together. Again, it comes back to the idea of cooperation. My department has been cooperating on a number of agricultural trade initiatives with the co-sponsors of this seminar - the Canadian International Development Agency (CIDA), and the Department of External Affairs. These efforts have worked to everyone's advantage. Let me give you some examples.

Agriculture Canada provides technical expertise for many CIDA projects around the world. In China, for instance, we are the executing agency for CIDA's Tanggu quarantine station project. Agriculture Canada and External Affairs worked with private industry to plan our exceptional presentation at the AgChina show. My department is also working with External Affairs to develop a new service called the Export Market Information System. This system, which is being put in place now, will provide vital information on agricultural markets throughout the world. By calling officials in my department's Marketing and Economics Branch, you can find out the answers to questions about a particular country. Questions like: What are the country's consumption patterns? Has market demand shifted in any way? What are the country's economic conditions? What are our competitors supplying to the country? We can provide you with the answers.

Your job is to sell. The role of government, as I see it, is to help you do your job effectively. That's why we established the Export Market Information System. That's also why the Export Development Corporation introduced two new credit programs for Canadian exporters of agricultural products. Again, the goal is to help you do your job better. One of the programs, which took effect January 1, insures Canadian exporters of agricultural products for credit terms of up to three years for credit-worthy countries.

Another EDC program, announced last October, offers short-term agriculture credit insurance to cover a wide range of agricultural products for credit terms of up to one year.

These initiatives demonstrate the Government of Canada's commitment to working with the private sector in order to strengthen our position as a trading nation. Our goal is to secure and improve export markets throughout the world. We're pursuing this goal bilaterally by initiating trade discussions with the United States. We're pursuing the goal by taking an active role in promoting mutual trade interests among Pacific Rim nations. "Food Pacific '86" in Vancouver this summer is an excellent example.

And, we're pursuing our trade goals by working with the United States on trying to bring about a new round of Multilateral Trade Negotiations. Indeed, we've offered Montreal as a site for Ministerial discussions leading up to the new round of talks.

Canada is a trading nation. You and I know it, and the Government of Canada knows it very well, too. If our agriculture industry is to prosper, we must pursue international trade with a vigour and intensity unequalled in the past.

The key is cooperation. It's at the root of our past successes. And, it's the ticket to future successes in China, and elsewhere in the world. As I look around this room, I feel confident that together we can - and will - rise to meet the China challenge!

Dr. Vaclav Smil
Professor of Geography
University of Manitoba

Perhaps the best way to start a brief overview of China's recent agricultural achievements is to offer several principal conclusions. The first point concerns the changes we have witnessed in China during the past 4-6 years. These changes have been stunning, impressive and unpredictable. What happened is that 22% of humanity suddenly moved, in just a few years, from a position of food deficiency to within about 5% of average Japanese food availability. To me, this is a stunning fact worth repeating: in gross average per capita food availability, China today is only 5% behind Japan. Never before in human history has a nation advanced so rapidly and improved the average nutrition so substantially as China has done recently!

The second important point is that the Chinese do not have to deviate from this welcome trend. They may even get better during the next generation, they may even intensify the process started in 1978-79, and they may succeed in spite of the large increase in the population. Their population will inevitably increase by 250 million people over the next 25 years, but they may still manage at least as well as they have done in the past 4-5 years and they may improve appreciably.

The third point is the black lining of the silver cloud. A closer look indicates that not everything is as good as the gross quantitative figures would indicate. There are still many places in China that have considerable food deficiencies and so there are a great many problems in more equitable distribution of food.

The fourth point is that there are many important problems besides food production. The fundamental question concerns the stability of current reforms - will they persist and what will they depend on? Another question is the price reform, something the Chinese have had endless problems with. Most important, I think, is the overall management of the environment, which is something they have not done very well during the past 20-30 years.

Let me illustrate these points with a few details. I have already stressed the most stunning figure you could give as far as the recent Chinese successes in nutrition, which means that something like 2,800 kilocalories are theoretically available every day for every Chinese. Of course, availability is not the same as consumption. Actual consumption, of which we know a great deal from detailed surveys in rural and urban areas, is something like 2,300 kilocalories per capita per day. Because we have new Chinese data from the 1982 census, we know the sex and age distribution of China's population, and because we also know much about the typical activity of Chinese peasants and workers, we can calculate the approximate average food requirements. And when this is done carefully, we find out that Chinese food requirements are around 2,300 kilocalories. So this is the first time in Chinese history that an average Chinese appears to have exactly as much to eat as he needs to perform his work. On the average, China fits the definition of having enough food to support a healthy and vigorous life for its citizens.

The Chinese have concentrated on rice and wheat and they have done very well, but not as well as the best performers in Asia. Japan, Taiwan and South Korea have done better. So the production of these two major crops can still be increased in China; but, what is more important, is that the Chinese preoccupation with these two main grains has led them to neglect many other crops and there is great potential there, especially where corn is concerned. Corn was a very minor crop in China just a generation ago, and now it is the third largest cereal, but its yield is only about a third of that in the U.S. Corn Belt. Clearly, the Chinese should be able to improve their corn yields, although they will never match Iowa's mean.

The Chinese don't like to eat potatoes very much - but, again, there is a great potential for increasing their yields. Soybeans, which are such an essential thing in traditional Chinese cooking, in the making of tofu (bean curd), are one crop which has not done well at all in the past 4-5 years. Only this year they will surpass the record harvest of 1936; it is very interesting that otherwise they have surpassed everything a long time ago, but the pre-war production of soybeans will be topped only in 1986. Naturally, there is also much room for improving the productivity of livestock farming. Today, only about 6% of protein in China's food comes from animal sources.

This brings me to a closer look at what is hidden behind an average picture which looks tremendously impressive. What is hidden behind it is a country of tremendous regional and local disparities in every province, and especially in the inland provinces as you move from southeast to northwest. The degree of poverty increases in that general direction but there are pockets of poverty in every Chinese province, even in the coastal ones. We have new Chinese statistics and they all point to one thing, namely something like 100 to 120 million people still not having enough to eat. This is hidden in the average. Now these people are not beset by what you might call chronic starvation, but they do not have enough food for healthy and vigorous lives. Theirs is not a terrible case of malnutrition but it means slow work, longer rests, longer siestas and this affects 1/10 of the Chinese population. Obviously, there is a tremendous task to eradicate these shortages of food which are largely concentrated in inland provinces but, once again, I have to stress that one can find them in every province, even in some counties in the richest coastal provinces.

To solve this problem of regional disparities is made difficult by the fact that China does not have adequate transportation links to move food easily from surplus areas to deficit areas. In terms of railways (per 100 square kilometers of territory), China is at the level at which the U.S. was 100 years ago so they have a long way to build up their infrastructure. This makes long distance shipping difficult and this makes it imperative that most of the food must still be grown where it is consumed. The solution is to increase food consumption by at least 200-300 kilocalories on the average for 1/10 of the Chinese population by increased local and regional production.

There are other qualitative problems. That figure of 2,800 kilocalories, which is so close to Japan, represents a basically vegetarian diet. About 94% kilocalories will be from plant foods, no more than 6% of energy comes from animal sources. Out of the plant food total about 85% are grains. The other crops, soybeans, fruits and vegetables are less than 10%. Consequently, it is basically not only a vegetarian diet but a fundamentally grain diet. In the South they get a variety of vegetables throughout the year but in the North the vegetables are very seasonal so through the winters, you've got to do with pickled cabbage! This means that the variety of the average diet is still very poor, especially during winters. There is too little meat and many of you who are raising splendid pork in Canada would not recognize this meat in China. Typical Chinese pigs are all bone and fat and it is very expensive to buy good quality meat in China. Of course, the pork fat is good for stir frying but if you want to indulge in eating red meat, Chinese pork is not the answer and there is a great deal of improvement to be done there in producing lean-meat hogs. The Chinese have over-fished their coastal waters so they must increase the productivity of their inland fisheries. I could cite many other examples of qualitative shortcomings. I have already mentioned scarcity of soybeans and they should also diversify into more sugar, more rapeseed and sunflower oil, more fruit.

The overriding question concerns the future of the current reforms. Will they continue? Nobody can be sure. Political scientist like to play these endless guessing games but if you look at the history of China since 1949, the chances of anything lasting very long do not seem to be encouraging. On the other hand, the past may not be a good guide for the future and the Chinese may well keep on continuing to reform for a very long time. Indeed, it is in everybody's interest to wish that they would because it makes for a stable and prosperous China. Certainly, it is good for the world when 22% of its inhabitants are in decent shape and are not destroying their country in great leaps and cultural revolutions. However, both inside and outside of China there is a widespread feeling that the outlook remains uncertain. There is a tremendous risk that changes may not continue or may not continue so smoothly.

The details of how it will continue are important. In this context the question of prices is crucial. Nothing is properly priced in China. We may complain about improper pricing here but this is a paradise. To begin with, the Chinese have probably the least rational energy prices existing in the world. Their agriculture is now very dependent on direct and indirect energy inputs. China today is producing almost as much nitrogen fertilizer as the U.S. and the U.S.S.R., it is one of the big three. The Chinese are putting out almost as much nitrogen per average hectare as Japan is, about 140 kilogrammes every year and, of course, they require a tremendous amount of energy and electricity to synthesize this urea. They don't have much mechanization for plowing the fields and harvesting is largely done manually but there is a large demand for electricity and for liquid fuels for pumps because nearly half of China's farmland is irrigated.

Yet the pricing system is such that when a barrel of oil sold for about US \$30, Chinese prices were only about one-quarter of this level, encouraging wastage of fuel. So there is irrational energy pricing and there are also huge food production subsidies. As part of the reforms since 1978, they started to pay producers much more, while keeping the consumer prices relatively low so the big gap between the two prices is as open as ever. Something like 1/5 of the Chinese government expenditures goes to cover this gap, so this is an extremely subsidized system and China started to raise the consumer prices last year but they still have a long way to go. There is a terrible drain on the treasury, yet it is very difficult to do something about it when this would mean, in many cases, tripling, or quadrupling the food prices in the cities. You just cannot do it overnight. That is politically and socially impossible, and this is why the Chinese are changing things slowly and cautiously, in stages, over the next several years.

But even good price reforms will not solve the most fundamental long-term problem - the environmental management of the Chinese agricultural system. First of all, they have to irrigate, and they have tremendous water shortages. One-half of China has a serious seasonal deficit. Some large cities do not even have enough drinking water for weeks and months on end. An essential part of accelerated industrialization is, of course greatly increased production of electricity. There is a tremendous shortage of electricity throughout China, you cannot modernize without it, and the only way they can produce large quantities of electricity is to burn their coal. All the good coal is in the north and already their railways are overburdened with moving coal around (about half of Chinese freight is coal). They want to put huge power plants near the coal mines but they will require large amounts of cooling water in the areas where today there are shortages of irrigation water and where even cities do not have enough drinking water in the summer. In northern China, there is nothing more important than this looming shortage, but there is not much you can do about it. On the average 400-500 kilometers of rain a year looks fine. That is like southern Manitoba in an average year, but in China the irregularity of climate is much worse than in the southern part of our prairies. In the early 1980's there were areas in the north where there was not a drop of rain for eighteen months, nor any snowflakes for eighteen months.

Another severe environmental problem is erosion because the past concentration on grain farming led to the cutting down of so many forests on the slope lands and to consequent soil loss. This is something the Chinese have lived with for thousands of years but things have greatly deteriorated since 1949. China had the fastest rate of deforestation of all major countries in the world in the past 30 years and the amount of erosion in China is now estimated to be 5 billion tonnes of top soil a year. This is taking away more nutrients than the Chinese are putting into fertilizers, which they have to get from expensive natural gas of which they don't have enough. And of course there are problems of water pollution and air pollution.

In closing, I would like again to stress that the Chinese agricultural situation is a bundle of contradictions, although the way it looks now is unbelievably encouraging. Don't forget that between 1959 and 1961, China went through the worst famine in human history - 30 million people died. When you compare 1957 and 1977 the average food per capita availability in China did not improve at all; China's per capita gross national income doubled in those years, but nutrition got worse in qualitative terms! Then suddenly, since 1979, there was a rapid improvement that brought them so close to Japanese food availability. But there are these other sides of it, 100 hundred million people that are still short of food and fundamental political, economic and agroecosystemic problems to worry about. So, all in all, it is very contradictory, but very promising.

Rick Mann
Director, East Asia Trade Development Division
Department of External Affairs

In the view of the Department of External Affairs, the sectoral focus of this seminar reflects the stage to which our marketing approach to China has progressed. It is time to go beyond generalities to an exchange of information that is as specific and relevant as possible to the Canadian exporting community.

Each year External Affairs updates its National Trade Strategy; this document provides guidance and direction to our ongoing trade initiatives. Given our need to up-date that strategy, we will be listening closely to our colleagues from the provincial governments and more particularly to the views of those of you in the agribusiness community who through your experience in China have suggestions to make regarding the type and range of government assistance you need.

The increasing number of China seminars, what we refer to as "China Fever", is perhaps not surprising. It is reflective of the increasing involvement of China in contemporary world affairs and the burgeoning relationship that has developed between Canada and China since the establishment of diplomatic relations in 1970.

In the years since recognition, Canada/China relations have grown substantially. A number of Head of State Missions and Ministerial Visits have taken place in a broad spectrum of interests. These will remain an important part of an ongoing program of cooperation with China.

On one such visit in 1973, the Canada/China Trade Agreement was signed. Other less formal agreements, such as protocols, exchanges of letters and memoranda of understanding have also been signed over the years. These mechanisms have provided for the establishment of joint working committees, trade missions, seminars, and technical exchanges - opportunities in which trade issues can be addressed and the flow of trade between the two countries facilitated. As an example of this, the signing of the animal health agreements last spring cleared the way for the first shipment of live animals to China in December.

Prime Minister Mulroney's visit to China in May during which other agreements will be signed, will provide a similar occasion to strengthen the mutual trade interests of both Canada and China.

Important exchanges of information have also been facilitated by exchange programs which are coordinated by the Department of External Affairs. As well, the family reunification agreement has made it possible for approximately 25,000 Chinese to emigrate to Canada.

Canada's trading relationship with China is, of course, of prime interest to me and to my colleagues in the East Asia Trade Development Division of External Affairs. This relationship is a healthy one having grown steadily to the point where today China is Canada's fifth largest export market and we are China's fifth largest supplier, after Japan, the United States, Hong Kong and West Germany. Two-way trade in 1985 reached \$1.6 billion with Canadian exports totalling \$1.26 billion and Chinese exports to Canada amounting to \$403 million.

Traditionally, the foundation of Canada's export trade to China has been wheat, fertilizers, metals and forest products. Indeed, as my colleagues in the Grains Marketing Bureau are quick to point out, Norman Bethune is not the "key link" between Canada and China--the wheat trade is. It has been said by one of Canada's former ministers responsible for the Wheat Board that "The Wheat Board recognized China fully 10 years before Canada did".

Although the wheat trade has been a significant and stable factor in Sino-Canadian relations, we cannot be complacent. There is no doubt that China has achieved a remarkable agricultural growth over the past four years. Despite the poor weather of 1985, which caused a significant drop in grain production, China's long run agricultural prospects are excellent. And what are the implications of this greater self-sufficiency for Canada? The export of wheat represented 65% of total Canadian exports to China in 1980 and now represents 35% in 1985. Wheat represented 98% of all agricultural exports and now represents 94%--still a significant portion but indicating the first signs of diversification of agricultural exports. There is no doubt that as China moves to greater self-sufficiency in grains production, Canada will have to pursue the wheat trade even more persistently. We are confident that exports of grains will continue and may increase. At the same time we must seek out other areas of opportunity, adjusting our marketing strategies accordingly.

A preliminary analysis of China's new five-year plan for the years 1986-90, though not yet final, offers some indications as to where those opportunities lie. The plan envisages economic growth at more modest rates than in the recent past with market forces playing an increasingly important role. The annual growth in agricultural output is predicted to decline, from 10 percent in the last four years to 6 percent in the next five. Despite this more modest pace for the expansion of the economy than in the past, the 1990 targets are considered attainable but will require increased investment and accelerated introduction of scientific farming techniques. Agriculture is still considered a priority sector for modernization and development with the draft Seventh Five Year Plan calling for a 50% increase in funding over the previous five-year plan. This will offer opportunities for Canadian companies in the following areas:

1. All facets of grain distribution (including handling, storage and transportation).
2. Corn loading facilities in the Northeastern part of China and port improvements for the unloading of imported wheat.
3. Facilities to convert low quality grain into livestock and poultry feed and other processed foods. Feed mixing equipment, assistance in the use of pre-mixes and feed additives in formulating balanced diets, and instructions in the role of protein.
5. Equipment and technology for the food processing industry.
6. Improvements in the quality of food packaging and labelling.
7. And finally, animal husbandry is being stressed along with the grains sector to meet rising consumer demand.

There are constraints to these opportunities, however. Despite China's overwhelming requirements, agriculture developments will be limited by the availability of funding and, to a certain extent, the tightening of central government control.

Generally speaking, China will discourage straight sales of equipment and duplicate technology. Companies will come under increasing pressure to transfer technology and will be requested to make some form of investment in a joint venture or co-production arrangement. Joint ventures will continue to feel the pressure to export and companies that promote Chinese exports will fare well.

Despite these constraints, the long-term outlook, we believe, is for regular grain exports to China as the Chinese standard of living continues to rise over the longer term. We also believe that the similarity of climatic conditions between North China and Canada, Canadian expertise in other agricultural areas of interest to the Chinese and the excellent political relationship between the two countries, should lead to increased sales in other areas in the agricultural sector.

And how is the Department of External Affairs organized to assist you in your efforts to exploit these opportunities? As most of you know, in the federal government, trade promotion is the concern of the trade component of the Department of External Affairs.

The commercial section of the Embassy in Beijing provides front-line information on the China market. We have recently increased the commercial section in Beijing from 4 to 8 and one more will be added this year. We are also opening a Consulate General in Shanghai with two trade officers. In addition, an officer is based in Hong Kong for the specific purpose of covering South China.

Supporting the Embassy in Beijing are the officers in the East Asia Trade Development division of the Asia/Pacific Branch assisted by specialists in the Agriculture, Fish and Food Products Bureau. These officers generally provide a focal point for trade matters, coordinating the efforts of all federal government departments with interests in China.

As evidence of the "China Fever" there has been an incredible increase in the number of China specialists in federal and provincial governments. In External Affairs we attempt to coordinate the efforts of these resources because there is more than enough work for all of us. In order to assist in this coordination, the East Asia Bureau has set up two committees: The China Working Group, which is an ad hoc inter-departmental group that meets on a semi-regular basis to exchange information on the various initiatives and projects of other federal departments, and the Federal-Provincial working group of trade representatives for East Asia which meets two or three times each year.

In addition to organizing trade fairs, missions and seminars and providing advice and information, the federal government has two major trade promotion programs: the Program for Export Market Development (PEMD), which provides financial assistance to companies for various types of marketing activities, and the Promotional Projects Program (PPP), which underwrites some of the costs to companies participating in promotional events such as trade fairs and missions that are organized by the Department of External Affairs.

Canada has enjoyed a somewhat favoured position in the China market but we must strive to remain in that position and not become complacent. This is a market with great potential, but it must be approached realistically. It is not a market for the ill-informed or ill-prepared. The Chinese are fully committed to modernizing their industrial and agricultural base but they will do so on their own terms and in their own time. While the opportunities are now much greater than they were a few years ago, the Chinese are only interested in obtaining from abroad those things they cannot get from their own resources. It is imperative, therefore, that Canadian companies do their homework, be fully aware of the intricacies of dealing in this market, and be prepared to engage in a negotiating process that, while protracted at times, holds the potential for significant rewards.

I would like to offer some suggestions to both new exporters to the China market and to the very experienced. For the novices, the message that we hear from those who are closest to the market is "do your homework", touch all bases, learn as much as you can about your sub-sector of the market. This is not easy - talk to your provincial representatives, talk to the DRIE officers, call us in Ottawa, talk to the banks, the investment companies, the Canada-China Trade Council (CCTC), agents - anyone who has some experience in the China market. The more people you have working for you in China, looking for opportunities and giving advice, the better off you'll be, and the greater chance you'll have of success.

For the more experienced exporters, my advice is to keep us informed of your activities and interests. If we are not well-informed we cannot properly brief our Ministers when they meet their counterparts in China, nor will we know of your interests when putting together trade missions.

China is still a murky market for most of us. We are enjoying some success, but we are up against tough competition. If we work together in concert, the future could be very prosperous indeed.

FEDERAL PANEL

Mr. Yvan Jacques
Assistant Deputy Minister, International Programs Branch
Agriculture Canada

To describe the priorities and constraints of a country which has more than a billion people is, for us Westerners, an almost impossible task.

With its massive population, China's number one goal is to provide food for its citizens, 80 per cent of whom are involved in agriculture. I've been to China on two separate occasions. I don't claim to be an expert; however, in meeting everyone from top Party officials right down to peasants in the provinces, and in travelling from the Beijing area to Guangdong alone by train, I definitely got a feel for the reality of China.

After more than 30 years of isolation, China has opened its doors to the West. The Chinese want to modernize and to do so as quickly as possible. They want to buy the best 20th-century technology at the best possible price. They do not lack for suppliers. And believe me, 5000 years of history has played its part in making them formidable negotiators!

We often speak of the "Chinese miracle", and it's true. For example, since the 1979 Party Reforms, China has become, in just six years, the world's major cereal producer. In 1984, they produced close to 400 million tonnes - and, by the end of the century, they hope to reach the 500 million tonnes mark.

But in its race to catch up economically, China has encountered its first trade deficit. This has drained its foreign currency reserves - reserves which are an integral part of its ambitious development plans. It is also forecast that the seventh five-year plan, for 1986-90, will further restrict spending in all sectors. All except agriculture, that is, where the 1986 budget will actually increase by 16.1 per cent.

Chinese agricultural policy will continue to be based on cereal production. In the long term, this will certainly affect our wheat exports, which account for 98 per cent of our agricultural exports to China.

For Canadian producers, the key will be export diversification. And that is certainly appropriate when it comes to China. These agricultural reforms, which promote both industrial and agricultural development are, in effect, increasing the purchasing power of worker and peasant alike. For us, this means a potentially vast market which we must first study carefully before trying to penetrate it.

Despite dramatic increases in cereal production, China will not achieve grain self-sufficiency unless certain other elements are present. The country needs to develop an entire infrastructure for drying, storing, transporting and classifying its grain. The development of a dairy industry and a hog industry, as well as an allied food processing sector, is seen as priority. Soil management, agricultural machinery, animal disease control and horticulture are other priority areas for China.

A more detailed, sector-based overview of the commercial opportunities in China is provided in our discussion paper. In listing the possibilities of this vast market, I cannot help but think that, technically, our agro-industrial community in Canada has all the expertise needed to help the Chinese, and there is nothing to hold us back.

Politically, Canada is in a very privileged position on the international scene. We're not haunted by a colonial past with China; we're not a nuclear power; and we were among the first to establish diplomatic relations with China in 1970.

Of course, the Chinese market has its peculiar constraints. They're not insurmountable but we should be aware of them.

1. The first constraint is that the Chinese want to know who you are, where you come from and whom you represent. It's not like doing business in North America, or Europe, where a contract can be wrapped up in one day. There, it can take as long as three-and-a-half years. You must show patience and persistence. The travel costs involved can be steep for those who wish to penetrate the Chinese market.
2. The second problem is the language. Any company that is interested in doing business with the Chinese will need a good interpreter - the same one whenever possible - and ensure that all required documentation is accurately translated.
3. There are 21 provinces in China, five autonomous regions, three municipalities and several special economic zones. To avoid wasting time and energy, Canadian companies should identify their target markets in advance.
4. The Chinese bureaucracy is extremely cumbersome; our system is a breeze in comparison. Sometimes, it's extremely difficult to find out who is responsible for what and to identify the real decision-makers. It can be a frustrating experience.
5. In order to finance their ambitious development plans, the Chinese are trying to establish cooperative joint ventures with their partners. As a general rule, most of the finished products are for the export market. Foreign currency coming into the country will help China absorb some of its commercial deficit.

The legal situation is becoming a bit clearer and, in the past five years, several laws designed to protect investors have been adopted. Entrepreneurs who would like to break into the Chinese market should be aware of the various types of investments possible right now, and the development of appropriate legislation.

That is a brief overview of the current business climate in China. I would also like to outline for you how Agriculture Canada's gradual involvement with six Chinese Agriculture Ministers has laid the groundwork for the commercial sector.

1. First of all, in 1980, Canada and China signed a Memorandum of Understanding in agriculture, providing for the exchange of scientific, technical and economic information.
2. In November, 1984, Agriculture Canada participated in the Agro-China '84 trade fair. At that time, our delegation went on an exploratory mission through the provinces of Gansu, Shanghai, Jiangsu and Shenzhen.
3. In March, 1985, an animal health agreement opened the door to bovine semen and embryo exports, swine breeding stock, and poultry genetic material. Since then, two shipments of Canadian livestock have been made.
4. In April, 1985, I joined Mr. Hamilton in leading a trade mission to Beijing, as well as the provinces of Fujian, Shanghai, and Zhejiang.
5. In November, 1985, the 1980 MOU was amended in Beijing to allow for the creation of a Joint Agriculture Committee. I was also a member of the delegation led by the Deputy Minister, Mr. Connell, at Ag China '85. At that time, we visited the provinces of Szechuan and Guangdong at the invitation of the Chinese Minister of Agriculture. Three technical seminars were also organized on grains, pork and dairy production.

On this last mission, Agriculture Canada took the lead in setting up an operational plan based on projects negotiated at the time of the JAC. One of these will be the signing of a phyto-sanitary agreement next spring, by Prime Minister Mulroney. The JAC projects also provide for scientific exchanges, and seminars on swine and dairy products, the latter with a view to supporting Canadian livestock sales through technology transfer. Technology transfer has become a vital component in promoting trade.

So, as you can see, Agriculture Canada has done the necessary groundwork. All the same, we believe that only a joint, concentrated effort from the private and public sectors will allow us to reap the maximum benefits from Canadian aid to China's agricultural development. This seminar is an example of such cooperation.

I welcome your comments. As Mr. Wise has stated, your job is to sell; our role is to help you in any way we can.

I would like to close by citing a document from the World Bank which says that Chinese capital will cover only 20 to 25 per cent of its investment needs in the agricultural sector. The rest will have to come from the "foreign private sector". The ball is now in your court. Just remember, we're here to help!

FEDERAL PANEL

Mr. Art Wright
Vice-President, Asia Branch
Canadian International Development Agency

I would like to pick up some points made by Professor Smil and some of the previous speakers - in terms of some of the myths and realities of China.

We think of China as being a market of a billion people. For those of us involved in agriculture, this is a myth. China is a market for agriculture of about 20,000 people only. There are probably only 20,000 people in China who are going to make a decision regarding either agricultural exports or imports. So we need to focus our attention on those people in China who will be doing business.

Secondly, I think there is a myth about the continuity of change in China. It seems very clear to me that very rapid changes have taken place, but they are also very diverse and their directions are very unpredictable. There are still many people in China who are reluctant to change things, and that is not likely to be different in the coming decades. We cannot assume that the changes which have taken place in the past will be repeated in the future.

Thirdly, the changes which have taken place in agriculture are highly unlikely to be repeated over a long period of time. They have been very dramatic, but they will not continue to expand at the rates at which they have expanded in the past five years. Therefore, it is very difficult to predict the trend.

Some of the realities in China - certainly the agricultural reforms - have been very successful. Average per capita incomes doubled in the rural areas between 1978 and 1983. Grain purchases from outside are, however, likely to decline in future years, and this will have an important impact on Canada. Therefore, if we wish to maintain our favorable trade balance with China, we are going to have to look for other products rather than to assume that we can continue to sell vast quantities of wheat to China. The Chinese are concerned about their trade imbalance with Canada, and are looking for products and ways to sell to us. This has implications for our import regimes and our type of tariff structure.

It also seems that China's agricultural imports will emphasize access to technology. They do not wish to import widgets but, rather, want our technology. This will substantially change the type of trading relationship that we now have.

Yvan Jacques mentioned that this is an extremely competitive environment, and the establishment of credibility by Canadian exporters over a period of time is absolutely essential. The advance costs of entering and developing the China market are far too great to give you a return if you are looking at only a one-time sale. You want a long-term economic relationship.

What CIDA is trying to do with this seminar, in cooperation with Agriculture Canada and External Affairs, is to elicit your comments as to how best we can serve you. We have a variety of programs and mechanisms which are under constant review.

Under the normal CIDA program we have three channels: the Bilateral channel, by which we try to respond to the priorities articulated to us by the Chinese government; the Industrial Cooperation channel by which we try to respond to the priorities established by the Canadian business community and potential Canadian exporters; and, finally, the Institutional Cooperation channel by which we try to respond to the priorities of Canadian institutions such as universities, research establishments, etc.

The mechanisms of these three channels are different, and they differ in complexity. The government-to-government programs are by far the most complex. They require a longer planning horizon, and take longer to select executing agents within Canada to work with the Chinese. They are, however, a very essential part of our overall relationship.

Within all of our programs we have had a considerable emphasis on agriculture. Some 23% of CIDA project funds, since the inception of our China program some four years ago, have been spent in the agricultural sector. These projects cover animal quarantine, animal breeding, dairy, artificial insemination, forage production and management, grain seed breeding and production, and agricultural education. We are also very concerned about the management question which Professor Smil mentioned this morning. The management of the agricultural-ecological system within China really stands at the heart of the question as to whether or not they can continue to maintain an adequate nutritional level for their still-growing population - whether they can preserve an ecological balance which will enable them to maintain their present kind of production system.

It is apparent that the arable land in China is limited. It has not yet achieved those yield levels attained in other parts of Asia, but the constraints it faces in improving yields further are considerable and costly.

We are trying to be selective in CIDA in what we do in attempting to tackle those priority constraints in the agricultural sector. The benefits to Canada of doing so are that we are introducing Canadian technology, goods and services. We are providing access to information and technology which is not available indigenously in China. We are providing access through the kind of cooperative effort in which Agriculture Canada is involved as an executing agent for CIDA - for example in the animal quarantine project. This establishes a linkage between institutions in our country and in China. At the same time we are providing an entree through our financing for a number of Canadian exporters who are assisted in making themselves known in China through the kinds of programs that CIDA offers.

Under our bilateral program, 80% of expenditures go towards hiring Canadian companies or to supplying Canadian goods and services. This is of direct economic benefit to Canada and, at the same time, it is beneficial to China.

In terms of our future programming, we are trying a general approach based on the transfer of technology. We believe that this type of long-term economic relationship has the maximum potential benefits both for Canada and for China. In order to do this, we hope that participants in this seminar will provide us with feedback as to the areas in which they think we should be involved. There certainly is an abundance of opportunities in China, so we need to choose those in which we see mutual benefit for Canada and China, and we need your help in doing that. A discussion paper is available on CIDA programs in China. We really want your suggestions as to which sub-sectors CIDA ought to give preference.

A good strategy requires that we be selective. We would like to know how you feel Canada fits in with the priorities the Chinese have set out in their seventh five-year plan. There are lots of areas which appeal to us - genetic improvements in crops and livestock; marketing infrastructure; processing; dairy production; grain storage and distribution; fertilizer use and production; swine production and management. These are all areas identified by the Chinese, in which they would like external overseas cooperation. CIDA is in a position to look at projects in these areas, but we have to know there is a Canadian capability to deliver the product.

Your views on whether we should focus our program geographically, or whether we should respond on an ad hoc basis, would also be helpful. If we spread it too widely, administrative costs increase and there is less money for project expenditures. What types of projects should be emphasized? Should we continue to stress projects primarily based on technical assistance and training, as we are doing? Should CIDA projects basically provide a market entree and be more commercially orientated? There are pluses and minuses in that approach. If you go for the short-term commercial benefit, you may not establish the long-term relationship which is most beneficial.

Within CIDA, we also are trying to solve the problem of the lengthy time required to get projects started and to get you involved as potential executing agents at an earlier stage in the process. It is important for you to be involved at the projects's planning stage.

We also are aware that several provinces have twinning arrangements. It is sometimes difficult when a Canadian institution or agency from a "twinning" province is not selected as an executing agency for a particular project. But we do have a competitive process - bids are received and assessed, then the Minister decides how the project is to be handled and who the executing agent should be. It may not always work out as you would like it to, but your views on the selection process - how to make it fair to all Canadians - would also be of interest.

We think that consultation through seminars such as this one are essential. Indeed, we have tried to work closely with other departments concerned to ensure that at least the Canadian federal government's "act" is brought together, and that we speak with one voice. Your views are necessary to make this a productive effort.

EXPORTERS' PANEL

Mr. Ken Hamp
Assistant Manager, Pacific and North Asia Department
Export Development Corporation

EDC is a Canadian Crown Corporation whose main purpose is to provide export financing and insurance services to facilitate the sales of Canadian goods and services abroad.

I work in the area of EDC responsible for the lending activity, specifically in the region of the world in which China is the most prominent. My colleague, Grady Kittleson, will speak shortly on EDC's insurance facilities which may be available to support exports to that country.

With regard to EDC's lending posture in China, our capabilities are quite clear; they flow from a Canadian \$2 billion General Financing Protocol which we have in place with the Bank of China. Support under this facility is confined to 85% of the value of Canadian capital goods and services which, for purposes of our industry, could range in nature from feed mills to combines - subject of course to acceptable Canadian content.

Under this line of credit, the mechanism of payment to the Canadian exporter is relatively simple. Upon EDC's approval of your contract for financing, disbursements would be structured so that direct payments would be made to you by EDC either upon shipment or as a progress payment. I emphasize that these would be direct disbursements to you from EDC. These payments would not be routed through China.

Local costs are not financed under this line, nor are the 15% down payment requirements of any Canadian supply. These are usually paid by the Chinese. Loans under this financing protocol can range in length from 3 years to 10 years, subject to the size of the transaction, the nature of the sale and the competition involved. For example, a \$1 million sale of breeding cattle might qualify for three-year financing, while \$30 million worth of Canadian goods and services for a feed mill being pursued by other competitors might warrant ten-year support. In either case, repayment would commence six months after final delivery of the product or commissioning of the project. Interest rates are usually of a fixed nature and are in conformity with the minimum levels provided by official creditor countries making up the Organization of Economic Cooperation and Development (OECD).

The General Financing Protocol also contemplates the provision of the Bank of China's guarantee for a borrowing by another Chinese entity such as a federal ministry or a provincial agency.

I must stress that we would resist financing requests which do not involve the Bank of China in either this borrowing or guaranteeing capacity, with the following exception. We are seeing some interest by commercial banks in Hong Kong and Singapore to provide EDC-sourced financing through multi-country lines of credit which we now have in place or under negotiation. This interest appears to be most promising in situations where provincial governments or joint venture entities are unable to receive federal government borrowing support in the form of either a loan or guarantee.

Lines of credit for use in China are now in place in Singapore with units of The Bank of Montreal, The Royal Bank of Canada, The Canadian Imperial Bank of Commerce and the Toronto Dominion Bank. In addition, we expect to finalize a similar line of credit with the Hong Kong Shanghai Banking Corporation of Hong Kong, very shortly. Each of these lines represents up to US \$10 million in additional financing availability.

Mr. Grady Kittleson
Assistant Manager, Agricultural Insurance Services
Export Development Corporation

Unlike the financing side of EDC, the insurance group is not broken into geographic areas and my remarks pertain to insurance and guarantee programs which have been developed as a result of differences in the goods exported, rather than the markets into which they are sold. The Export Development Corporation's export receivables insurance and guarantee programs are regularly reviewed with a view to making them more responsive to the requirements of the exporting community. In addition, new initiatives are undertaken as opportunities present themselves through regular consultations with industry and representative organizations. As an example, during the last twelve months EDC has responded to the impending wind up of Canagrex by developing a bulk agriculture program as a replacement. This program was developed in two phases and responded to the bulk agriculture industry's characteristics of large volumes and low profit margins, relatively secure credit terms, fast turnaround times and the unavailability of medium term credit to meet the competition.

The First Phase was developed between March 1985 and its introduction on October 1, 1985. It is a short-term credit insurance policy issued to the exporter covering the sales of bulk agricultural commodities into markets on irrevocable letter of credit or, alternatively, to sovereign risk buyers on lesser terms. The maximum term of payment under this program is 360 days. Cover is extended to 100% of the gross invoice value for non-payment due to political risks of war, insurrection, import or export permit cancellation and foreign exchange and transfer delays. For the commercial risks including insolvency, default or repudiation of goods, cover is extended to 95% of gross invoice value. Receivables insured under this program can be discounted directly with a financial institution, transferring the insurance cover to the financial institution with limited recourse to the exporter. The policy covers multiple transactions and is renewable annually.

The Second Phase of the bulk agriculture program was developed between September 1985 and its introduction on January 1, 1986. This program involves the issuance of a guarantee to a bank which is refinancing an irrevocable letter of credit or purchasing promissory notes issued for payment of bulk agricultural commodities. The maximum term of payment under this program is three years, with at least equal annual repayments of principal plus interest at commercial rates. This program is a "matching" program and, as such, a transaction is only eligible if there is evidence of officially-supported competition for the commodity into the market. Cover is offered on a transaction by transaction basis with a separate guarantee issued in each case.

These two programs cover the export of bulk agriculture commodities only. The basic definition of a bulk agriculture commodity includes those animal and natural products and by-products crated or boxed for bulk shipment in a raw or semi-processed form, but not generally in a consumable state. Both programs provide cover from the date of shipment from Canada.

There are a number of other policies of insurance and guarantees provided by the Corporation on short and medium terms to cover agricultural-related capital and non-capital goods. Cover under these programs is less specialized and is therefore responsive to normal trade practices and less secure selling terms. The same risks are covered; however, the percentage of cover is reduced to 90% of the gross invoice value for both political and commercial risks. The short term cover is generally restricted to 180 days and the terms of sale cover the full range from sight irrevocable letter of credit to 180 day open-account terms. Again the short-term sales are covered by a policy of insurance covering multiple shipments for a period of 12 months while the medium-term program is case-by-case cover on repayment terms of up to five years.

The costs of EDC's short-term insurance into the Chinese market range from a low of two-tenths of 1 percent to a high of seven-tenths of 1 percent of the gross invoice value depending on the degree of security and the overall terms of the sale. These insurance premiums are charged based upon the gross invoice value of goods shipped into the market, and are payable within 40 days of shipment under the short-term programs and at shipment date under the medium-term programs. The cost of EDC's medium term insurance and guarantees range from 1.05 percent to 1.45 percent of gross invoice value under the bulk agriculture program. The costs for medium term insurance and guarantees on capital goods require a case-by-case quotation.

ADVERTISING AND PROMOTION

Mr. Howard Cummer
Director, Market Development
Canpotex Ltd.

When you talk about advertising you end up talking about two things - one is common sense and the other is lots of money.

Our budget for the promotion of potash has to cover many different countries that have potential - not only China. Common sense should be used in defining the market and the area of concentration. Canpotex acquired agronomic information from the Potash and Phosphate Institute through their work with their Chinese counterparts. This allowed us to decide where we wanted to concentrate. We also studied the ratios of nitrogen consumption to phosphate and potash consumption. A normal ratio is 2:1:1, which basically is what is happening in North America. In China there is a terrible imbalance, which lowers their efficiency. They use a ratio of about 20 parts of nitrogen to 1 part of potash.

In our promotion programme we try to lower the ratio of nitrogen-to-potash use. If we could succeed in lowering it to 4:1, China would use five million metric tonnes of potash compared to only one million metric tonnes at present. If Canpotex maintained its present market share (which is about 80%), this would mean sales of four million metric tonnes of potash from Canada to China. This would have an annual value of about \$400 million, so you can see why we are keen.

We knew the amount and the area - the potash deficiencies are most critical south of the Yangtze River. We then had to decide how to spend our money most effectively. We set up a committee with experience in advertising fertilizer in North America. We then hired an advertising company in Hong Kong called Ad-Sale. Then we did an awareness survey. We interviewed about 1500 farmers and 500 technicians in southern China. We asked questions regarding their knowledge of fertilizer, sources of information, which crops they grew, etc. This was a very in-depth survey. From this survey we discovered we should be putting most of our money into radio and newspaper advertisements. We started this a few years ago, when the import boom for television sets really hadn't started in the countryside. Therefore we did not use television.

We devised a series of ten radio plays, each about five minutes long, as a kind of standard story in which one farmer explains how a proper balance of potash and nitrogen provides a better return. This was done in ten different dialects and at the same time we put editorials in the local newspapers. If you buy an ad in the local newspaper in China, they will put a story in the paper about your product. We have run the campaign twice, once in the fall of 1985 and again in the spring of 1986.

We then produced 500,000 copies of pamphlets dealing with the proper application of fertilizer, and specifically the recommended rates of application on different crops. Some of the technicians wrote back to us, and for them we handed out 25,000 more detailed booklets which explained how to deal with potash deficiency.

We have now started to move into television, and our video will be playing on Peking television when our Prime Minister is there.

For our product, trade shows have not been the best outlet as we have to get closer to the producers themselves. The return on our investment at trade shows has not been high enough. We are now looking at doing more television commercials, but this is very expensive at commercial rates.

Another avenue we are using is demonstration plots. We use a farmer's field and ask him to use recommended practices. We pay the farmer for his cooperation, and we organize field days. We try to get the local television station to film these field days and to make a media event out of it. This has worked very well in other countries, such as Indonesia.

To summarize, methods used to profile a market in other countries can also be used in China. We have found the use of radio and newspaper to be more cost effective than television, at least initially.

JOINT VENTURES/CONSORTIUM

M. Ed Buchik
Vice-President, World Trade
Simon Day Ltd.

Simon-Day is a manufacturer of seed-cleaning and sizing equipment and other related products. It is only in the past few years that we have embarked on international projects - not only in China, but also in Hungary, Turkey, Egypt and other countries. We primarily bid on World Bank projects, so there is strong international competition.

Working with a Chinese company in a contractual consortium, Simon Day won contracts for three seed plants in China worth just under two million dollars. Forming the consortium took three or four trips to China, to establish a good working relationship and develop a Memorandum of Understanding. It was difficult to convince the Chinese partners of Simon Day's need for a profit. They could not understand why we had to obtain a mark-up of 13%! It took 21 days to negotiate the first contract. It takes much time, effort and money to succeed. Canadian companies do not bid on many of these projects. One company cannot do it alone, so it is best to work together. It is very important to find a good partner in the host country, to bring some domestic content into your project.

Training and supervision are a must. You should be prepared to invite the Chinese to Canada at your expense for 15 or 20 days. It is a very important part of the negotiations, and your competition will be offering trips as well. The Japanese and West German governments subsidize such trips. It takes about 21 days to negotiate a contract in China that would take only two or three days in Canada. Often several different government bodies are involved, all having different ideas as to what they should pay for the equipment and knowing that there are several other bidders. Even for the low bidder, the negotiations require a good deal of patience.

China is, however, a vast market and Simon Day will continue to put the necessary time, effort and dollars into it.

TRANSFER OF TECHNOLOGY

Dr. Cheng-Hock Choong
Director, Asian Division
Semex Canada

Semex Canada, the international marketing arm of the Canadian artificial insemination industry for bovine semen, exports annually to about 50 major dairy-producing developing countries and is, in fact, an exporter of Canadian technology in the form of superior bovine genetic material. Canada's outstanding progeny testing system has made it possible for all Canada's cattle artificial insemination centres to export semen from superior bulls, to both developed and developing countries. Without such a universally accepted and respected proof system, Canada would not be so strongly positioned in the international bovine semen market place; client countries importing Canadian bovine semen simultaneously receive Canadian technology in the form of information concerning our progeny testing system.

Semex Canada has been involved in other forms of technology transfer. Besides participating as the executing agency for the Harbin Project in China, Semex Canada has provided "hands on" training programs in the field of bovine artificial insemination, freezing bovine semen, bovine embryo transfer and progeny testing, for numerous trainees from client countries such as Peru, Mexico, Malaysia, Venezuela, Korea, Brazil, Japan and West Germany. Either these trainees visit Canada for the training or Semex Canada personnel visit their countries to conduct seminars and clinics. More recently, to improve the quality of the training programs offered, Semex Canada instituted an International Dairy Training School which provides "hands on" training in dairy cattle management, nutrition and breeding.

Transfer of technology to a vast and developing country like China poses a great challenge; many problems have to be identified and solved. China has been isolated from Western influences for over 30 years and its communist system of Government is very different from ours. However, it is a tremendous market, to which we can export our products in vast quantities if we have the perseverance, tenacity and ingenuity to conduct business in China. The transfer of technology in an organized, intelligent and well-timed manner is one of the best tools for market development. China has a great need for Western technology, especially in agriculture. Canada, in turn, has an urgent need to expand its exports, if we are to maintain our standard of living for the next generation of Canadians. These are two complementary needs. We cannot afford, in this context, to give away Canadian technology without linkage, direct or indirect, to obtaining market advantage.

How we achieve our goal will depend on a number of factors:

1. A cohesive cooperative effort between government agencies, academic institutions and private industry should be the fundamental requirement, and this complementary relationship should be ever-improving.
2. Advance establishment of long-term planning and strategies to develop and establish the market. In China, we compete with some of the world's great mercantile nations; nations such as Germany, Holland, England, Denmark, France, Japan and the United States have decades of experience in trading with China.
3. More emphasis should be placed on the transfer of middle-level technology which will be of use to China. China has been isolated from the Western World for so many years that, to catch up with the developed nations, she has to absorb, at least for some years, middle-level technology in order to prepare her industries to use sophisticated technology effectively. We find short-term training programs especially useful to the Chinese. Be warned that, quite commonly, the Chinese will request very sophisticated technology which, even if transferred well, will not be of much use to the country.
4. More industry groups should be involved in bilateral assistance programs with China. There are many advantages for industry groups actively involved in marketing to participate in the technology transfer programs. Benefits derived will assist broader groups of Canadians and often those from various provinces.
5. Look also at regional sourcing to reduce costs.

Semex Canada's activities in China are exemplified by its participation in the Harbin Project. As executing agency for this project, Semex Canada has to implement technology transfer to provide:

1. Artificial insemination training to upgrade bull management, semen collection and semen processing;
2. Bovine semen plus some specialized equipment for improved semen processing technology;
3. A comprehensive sire proofing program, with training;
4. Training on embryo transfer, cattle extension and production, and supply of embryos.

Semex Canada consultants carried out the inception mission to China, and Chinese technical personnel have visited Canada on a study tour related to the project. Four Chinese graduate students currently are studying in Canada; two of them are enrolled at the University of Guelph in a graduate-level animal breeding program, and two are enrolled at the University of Saskatchewan in the graduate-level embryo transfer program. Laboratory equipment has been sent to China for the project and, by the second week of June 1986, two Canadian consultants will visit Harbin to set up the equipment and train Chinese technicians in the freezing of bovine semen in 0.5 ml. French straws.

In the past decade, Semex Canada and Chinese personnel have visited each others' facilities. There was, however, very little interest in Canadian bovine semen. In the last year, Chinese officials made decisive contacts with Semex Canada. After a short period of negotiation, the Chinese signed a contract to purchase a substantial amount of semen. Soon after, a shipment of semen from Canadian A.I. Centres located in various provinces was supplied to China. The Chinese have indicated quite clearly that there will be continuing business with Semex Canada.

Semex Canada's success in the People's Republic of China has been due to the implementation of the CIDA project at Harbin and to the efforts of the Marketing Branch of Agriculture Canada, OMAF and External Affairs. Agriculture Canada's Health of Animals Branch also assisted by negotiating a workable Chinese Health Certificate.

More recently, the Canadian Livestock Exporters Association (CLEA) has exported to China two shipments of cattle and one shipment of pigs. Chinese officials today look on Semex Canada and CLEA as reliable and responsible organizations with which to conduct business.

The transfer of technology under a CIDA program, complemented by trade missions and participation in the Ag China Exhibition have paid off.

I have been instructed by the A.I. Industry to inform CIDA, Agriculture Canada, OMAF and External Affairs that their effort in helping us to develop the China Market are very much appreciated.

Robert Gray
President
Shaver Poultry Breeding Farms Limited

The following points should be considered in dealing with, and in, China:

1. Learn something of the geography of the country, and obtain an up-to-date map with the new and accepted spellings. Also, if you know your product will have regional impact because of its nature, try to find out where these particular centers are located.
2. Think out your marketing strategy with care. The Canadian Embassy in Beijing and the Canadian High Commission in Hong Kong, I am sure, will be helpful and will provide good advice and guidance.
3. Get to know quickly the ordering sequence as it applies to your commodities. It took us a long while to find this out, and for what it is worth, in the case of our particular commodities it goes like this:
 - a. An organization within a Province decides that it will embark on a project in which your product will either be central to the project or play a key role.
 - b. Most of the Provinces of China earn foreign exchange in varying amounts, and therefore the provinces determine how at least a portion of these funds will be spent on imports of products, or systems (services) which they require. Foreign exchange is controlled provincially by Foreign Development Corporations (or import/export corporations) that go under a variety of names, but I believe are really extensions of the Bank of China, or they have very close connections with that central body. The project then requires their sanction and in some cases, that might be the end of it. They are then free to go ahead and do business with the exporter.
 - c. In our particular case selling something as basic as poultry breeding stock, all such provincial plans have to be agreed by the Federal Ministry of Agriculture, and it requires their stamp of approval (or modifications), before the fourth and final step which is the actual importation conducted by the China National Animal Breeding Stock Import and Export Corporation.

It will be well worth your time to try to establish as clearly as possible the actual authority by which an order for your commodity or service is finally executed. I know from experience that a number of rather important orders can "die on the vine" at the Provincial level, simply because that Province's plans do not fit in with the grand design for the industry as drafted by the Central Government Ministry of Agriculture. I am sure a lot of tug-of-war goes on behind the scenes between senior officials at the Provincial level and those in the Federal Government. That process sounds familiar, doesn't it!

However, clearly understanding those procedures is important, so that you can continually address yourself to the real decision makers that are involved with your offer (and this could be several).

4. My advice is that you think out your offer very carefully, well ahead of time in all its aspects, before you start serious negotiations. Trying to make changes which would appear to be in your favour after it has been tabled will be difficult, so get it right the first time and also leave yourself sufficient elbow room, because additional buyer requests are almost inevitable throughout the negotiations.

Remember that in the final analysis you will be dealing with, not the user of your commodity, but with either a Provincial or Federal buying agency that sits between you and the end user. These people are professionals and it is, of course, one of their principal functions to try their very best to improve on the offer to their advantage.

Areas where this is likely to occur are in buyer requests for additional training of personnel, or for technical visits by you, or in your exports to China. So be very clear, before you start, the extent to which you are prepared to include these activities in your overall price and also, where these are not included, exactly who pays for what. Remember that air fares from China to Canada are expensive.

5. In relation to air fares, if you have never been to China, you will find the air system chaotic and it is quite common-place to be taken off one flight and put on another one a day or two later. Therefore, you would be well advised as soon as you arrive in China to immediately reconfirm your next internal flight. Note that it is not possible, as it is in North America or Europe, to make one stop and reconfirm several internal flights. You have to do that with each leg of the journey, so if you intend going to several different places firmly confirm your onward flight to the next destination, taking care of that the minute you arrive. All flights are fully booked and wait-listed, so getting a jump on these airline confirmations will save a lot of frustration. Nevertheless, I would advise that you allow at least double the normal time, because the process itself, quite apart from air travel, is inevitably slow. I think that almost all decisions are made by the group rather than by an individual, and they always want to try and get a consensus decision, a bit like a jury arriving at a verdict.

As an aside, when in the middle of negotiations the Chinese tell you that "you must be tired and in need of a rest", this is a polite way of saying we want to take you back to your room for an hour or two so that we can discuss these matters amongst ourselves.

6. I have found that very few people read and understand English and, therefore, I would say that it is mandatory that you have your technical literature, or at least key elements of it, translated into Chinese. There are services available for that, of course, in China but you may also want to consider having some of the work done in Hong Kong, because their translation from English to Chinese and the printing of literature is a daily occurrence.

Trade shows are very well patronized by the Chinese and I would recommend you consider participating in them as a means of quickly getting your company's name and products well known and, of course, the all-important opportunity of speaking face-to-face with potential buyers.

Here, good translation is very important and you should try to engage not only a good translator, but one who has some knowledge of your particular industry or commodities. If you can get your literature into the hands of this person a day or two ahead of your meeting, it will then give him an opportunity to familiarize himself with it and to ask some key questions ahead of time.

We have found mailing lists to be useful and have developed one with 320 names. Be careful, however, that the names on your mailing list are meaningful and are directly related to your particular business. Good mailing lists are built up over time by contacts made through Federal and Provincial agencies and Departments of Agriculture, Universities, delegations visiting China, and via a coupon which you can attach to any advertisements that you may care to run in Chinese trade publications. Poultry International is the magazine in our particular field that annually runs such a service.

7. Even after the speediest of negotiations, and the signing of an agreement, be prepared for considerable delays, sometimes up to a year and more, before the order is actually delivered. I have found that it is best to make quotations in U.S. rather than Canadian dollars, simply because the Chinese relate better to values in U.S. dollars and it saves a lot of on-the-spot recalculations when you may not have the latest exchange rates available.

It is my advice to copy all of your correspondence, telexes, etc. to the Canadian Embassy in Beijing, or the High Commission in Hong Kong if your correspondents are in the south of China, and to ask these offices to please follow up from time-to-time on your behalf.

8. I have never had to avail myself of any medical services when in China, and while I am sure they would be adequate, I think you would be well advised to take with you a supply of the usual medications of which from time-to-time you may be very glad, particularly in some of the more remote regions of the country.

EXPORTERS' PANEL

Mr. Bill Robertson
Executive Director
Canadian Seed Growers' Association

It is a pleasure for me to be taking part in this program today, both from a personal point of view and as a representative of an agricultural organization with an interest in China. As far as I know this is the first time that the agricultural industry together with several federal departments, the provinces and universities have, in a forum such as this, focussed their attention on this important market.

The subtitle of the conference contains the word "strategic" and this hopefully will be the prevailing thought over the two days. The dictionary defines the word as a plan, method or series of manoeuvres for reaching a specific goal or result. The lack of national focus or objective vis-a-vis China particularly relating to agriculture may have been part of our problem in the past. This meeting is long overdue, and I must congratulate the organizers for recognizing the need and drawing this group of people together. I only wish it had taken place 10 years ago. However, let us not dwell on what might have been, let's think in terms of challenges and strategy.

By now most of you have had some experience in China, and it's a certainty that the Chinese have had some experience with us.

A great deal of ground work has been done by private companies and associations, the provinces, universities, Agriculture Canada, External Affairs and CIDA. Many of you know each other and are acquainted with the various activities that have taken place. Hopefully we can review these case histories and discuss new initiatives which to some extent will meet the objective in spending this time together.

Much good work has been done in both countries to develop a deeper understanding of each others' needs and capabilities and, to a large extent, at least for those of you in the room today, China has been demystified a little. Through experience, some of the Canadian initiatives have become more focussed and rationalized and certainly, now that government is in a "downsizing" mode, much of the money and time previously allocated from the public sector will no longer be available. I submit that this is a good thing, because it will force efficiencies and an erosion of separate kingdoms. If we are to succeed in China, or any other export market for that matter, we cannot afford expensive duplication and overlap. Experience and fiscal restraint may have taught us an important lesson.

I must also add that the participation and support of CIDA in this process is very significant and a very welcome shift in attitude from several years ago. While it is important to remember that aid and trade are separate and distinct subjects, it is naive to think that they are not closely related. The involvement of the provinces and universities is critical, but must also fit in to some overall plan, where priorities are clearly articulated and whose results are widely communicated. Without a game plan or strategy, how can the private sector relate to opportunities that may require years to develop and implement? Exporters of goods and services will get discouraged and the Chinese themselves will be confused by the scatter-shot approach.

I may sound critical, but having been involved in export market development with both levels of government, the private sector and now with an association, I have seen the results of our efforts thus far and I know that as a country we can do a better job. There have been too many Marco Polo visits of discovery and not nearly enough preparation and follow-up. It's not a matter of assessing blame, but rather a matter of correcting the errors of the past and getting on with the job. That is why this conference is so important.

Those of us interested in agriculture should be able to meet the challenge of China and, if there is the goodwill required to improve our overall performance, Canada will be a winner.

There are several reasons for optimism. The first and most important is that we are here today committed to finding a better way. Canadian knowledge and experience at all levels is much improved, and China's own direction seems clearer than it was several years ago. CIDA is showing imagination and leadership in its initiatives. Agriculture Canada and External Affairs are increasingly aware of their mutual interests and, I hope, working together in a constructive way. The interested provinces have established their linkages and see the real benefits of working as part of a team in maximizing the results. Industry has had some successes and some failures which have added to the total Canadian experience.

All groups have an important role to play. Agriculture Canada is at present developing a commodity-based, export-oriented strategy to better coordinate their own activities and spending. External Affairs is structured on a geographic basis with some commodity orientation. CIDA has identified several important agricultural programs, and is working with the private sector in many cases to meet their objectives. I was told this morning that 23% of CIDA expenditures are on agriculture and 80% of this is spent on goods and services. The provincial governments, through their own market development initiatives and twinning arrangements, have established excellent contacts both in Beijing and throughout the country.

The private sector has taken advantage of the numerous assistance programs designed to introduce themselves and their products to China. These programs have received praise in some quarters, but I have also heard some resentment expressed by industry about the excessive travel and cost incurred by public sector people in doing "market development" work. For public funding to continue and to be meaningful, goals and objectives must be articulated and there must be tangible results. No one would doubt that, particularly in the case of China, governments in Canada have an important role in developing trade. The problem really is one of communication and accountability.

Before moving on to making a suggestion or two, I would like to record a concern regarding the availability of service to the agricultural community through Canadian Embassies. The external trade people, formerly referred to as the Trade Commissioner Service, have an excellent reputation among Canadian exporters. They are knowledgeable and dedicated and often working under adverse circumstances. There is, however, a problem for those of us interested specifically in agriculture, and that is the shortage of Canadians abroad with experience in this important sector. This in my view has been a problem for years and must somehow be addressed. I would like to hear from others as to whether you consider this to be a concern and what can be done about it. Perhaps it's a subject for the working groups.

Now to conclude, let me leave this with you. Market development by its nature is a long term process. In a country like China it is even more complex. Cooperation among the various players is not just desirable, it is absolutely essential. Planning and coordination are critical.

Given the fact that Agriculture Canada, CIDA and External Affairs have taken the initiative to bring this select group of people together to focus on agricultural opportunities in China, would it be reasonable to charge them with the further responsibility of ensuring that the momentum continues? If so, they will need your guidance and continued support. I am not talking about re-inventing the wheel or elaborate bureaucratic structures. A small group could gather information and provide a communication link among the various players. The priorities of the various departments and provinces could be drawn together, incentives and assistance programs reviewed and the market development plans of the various governments summarized. Input from industry will then be required to ensure that assistance and development is relevant and on target.

Background information, an index of reports on previous missions, etc., could be made available to those planning marketing initiatives. The Canadian Embassy would be asked for input, and I'm sure would appreciate the coordination of activity here in Canada.

The key to success of this concept would be to provide a flexible, easy-to-access information exchange and some coordination of activity which could accommodate the diverse interests and creativity of the various players involved. The business community should see this as a serious attempt to improve service, reduce overlap and duplication, and provide a sharper focus for expansion of exports to China. Taxpayers' money would be spent more efficiently, and the Chinese should be better able to react to a coordinated Canadian thrust.

However without a firm commitment by all the players, this idea will be doomed to failure. If petty jealousies prevail and narrow interests are indulged, the fragmented, frustrating, inefficient and costly process of the past will continue, and Canadian agricultural exports to China will never reach their true potential.

Let's keep the larger picture in mind and, over the next day or so, get our Canadian act together to take full advantage of the opportunities in the vast marketplace called China.

PROVINCIAL PANEL

Dr. Gordon A. MacEachern
Deputy Minister
British Columbia Ministry of Agriculture and Food

My assignment is to talk briefly about British Columbia's experience in agri-food trade development activities with China.

First, our experience is quite limited and quite recent. We are late comers compared to many of you. But we are very proud of the initiatives taken the last 18 months, organized by Mr. Brian Hodge, Director of Agriculture Export Market Development, British Columbia Ministry of Agriculture and Food.

Exports are extremely important to British Columbia and, coupled with our location on the Pacific, explain the strong interest in Pacific Rim development and trade generally and in China's development and trade in particular.

B.C.'s agri-food industry is large and one of the most diverse food production areas on this continent. More than half of our diverse food products produced in British Columbia are exported to some degree. Our diverse agri-food production has developed from our unique geography and climate and the generation and application of some unique world class technology and know-how.

Since development assistance, investment and trade in intermediate and final goods are a continuum, it makes sense for B.C.'s agri-food industry to take advantage of profitable opportunities where they exist. Our agri-food industry has had limited involvement in marketing this know-how and technology and was not aware of the opportunities, particularly in China, resulting from the recent economic reforms and China's sixth and seventh five-year agri-development plans. Nevertheless, if something was going to happen, agri-business had to be involved. Because of the role of government in China agriculture, it was felt that we, working with Agriculture Canada, CIDA, External Affairs and the B.C. Ministry of International Trade and Investment, could help facilitate the establishment of a solid relationship between B.C. and China agri-business.

Our China efforts are focussed on three objectives:

1. To create a broad B.C. agri-food industry awareness of China's agri-food development potential, and the market potential for B.C. agri-food technology and know-how and for B.C. agri-food products.
2. To acquaint China's agri-business officials with B.C.'s agri-food industry and our agriculture and food technology and know-how.
3. To be a catalyst or facilitator of B.C. agri-business trade and investment with China, that is, the establishment of a solid long-term development-trade relationship.

Agri China 84

When my Minister received an invitation to participate in Agri China 84, the first International Agriculture Exhibition and Exposition ever held in China, in Guangzhou in November 1984, he readily accepted because it seemed an ideal way to address our objectives.

The then B.C. Minister of Agriculture and Food, the Honorable Harvey Schroeder, presented a paper to the Symposium on Western Canada agri-food technology. We were accompanied by a large group of industry officials, who helped man our exhibit at the Exhibition and answer all the questions that 50,000 Chinese delegates wanted to pose during the four days.

With the help of video tapes in Mandarin, we were able to show delegates examples of rangeland reseeding technology; crop-livestock systems; dairy, beef and swine technology; fruit and vegetable production, storage and processing systems; and greenhouse technology.

The response from the organizers and delegates was truly shocking and overwhelming to us. This may have been due in part to our Minister being the only elected foreign official in attendance and doing an excellent job on behalf of Canada and British Columbia but, in any case, Canada was the first to be invited to discuss its projects.

A great many potential projects were identified and the qualified leads were passed on at a government-industry seminar, like this one, on our return.

Since Agri-China 84, there have been three or four follow-up industry missions including B.C. participation in Agri-China 85 in Beijing, and there will be more.

The focus of our efforts to date has been in four provinces, that is, Liaoning, Qinghai, Zhejiang and Guangdong.

Results

In terms of hard results, there have been some - more than expected.

We were pleased to help facilitate, last fall, the first shipment of dairy heifers to China from North America by Western Livestock Services in Chilliwack, British Columbia.

There are approximately a dozen major China agri-business projects in some stage of development at the present time.

B.C. has signed agreements with three provinces:

1. Liaoning Department of Agriculture and Animal Husbandry and B.C. Artificial Insemination, to develop a centre of genetic excellence for dairy cattle. (A British Columbia company, Pacific Rim Foods, is also negotiating a major tree fruit production-marketing project in this Province).

2. Zhejiang Province to establish a dairy genetics and production facility and a fruit-processing complex. Director Sun will be leading a mission to British Columbia in August to finalize parts of this agreement. A Vancouver trader is finalizing a project to supply dairy, beef and swine breeding stock to that Province.
3. A protocol of cooperation has been signed with the province of Qinghai, dealing with range land development on the Tibetan Plateau (8,000 - 10,000 feet above sea level). We expect their mission in June to evaluate our range technology and we are working closely with CIDA on this initiative.

We have had a lot of opportunities to acquaint officials in Quangdong province with Western Canada agriculture and technology, and find the Quangdong Science and Technology Commission very helpful. A successful cold storage project has been completed by a British Columbia company, and a Vancouver trader is finalizing a project to supply dairy, beef and swine breeding stock to that province.

Conclusions

Despite the fact that our efforts have been limited and for a short term of only 18 months, some progress has been made in reaching all three of our program objectives.

While our limited experience cautions us in drawing any conclusions or making suggestions, we can offer perhaps a few opinions:

1. Provinces can play an important networking and facilitative role in addressing the China agri-business challenge. The Chinese understand provinces doing things and don't seem to have any hangups in that regard. Industry has to be front and centre if agricultural development is going to happen, but governments can help facilitate profitable industry trade and investment.
2. There is unanimous agreement from all missions to date that market potentials for agri-food technology are real and can be achieved in due course, although not as quickly as many would like.

Clearly there are different obstacles than we are used to - the different culture, shortage of hard currency, a lot of government officials and red tape involved in making buying decisions. We are having to relearn the importance of establishing friendships, solid relationships and trust, before we sign contracts. Perhaps that is one of a great many important things we are learning from China.

3. Canada has know-how desired by China agri-business and we are a preferred supplier if we are price-quality competitive. There is truly an opportunity for solid business-government partnerships for mutual benefit.

4. There are three small personal suggestions I would offer:

- a. There are potentials for Canada agri-business involvement in additional areas to the northeastern part of China.
- b. Information is important and can greatly assist agri-businesses in their China challenge efforts, for example, the Export Development Corporation officials told us that financing and insurance is available from them for China projects but to date they have not been approached by the agricultural community. It would seem advantageous for those of us in the service business to be more effective with information programs.
- c. A number of speakers have raised the issue of the need for improved coordination among federal agencies. If there is an interest in addressing this, you should know that this problem is not unique at the federal level, and the way some provinces have attempted to deal with the problem might be helpful, for example, British Columbia has recently hired Mr. Stu Hay, Canada's former Trade Commissioner for Beijing, to better coordinate B.C. trade and investment activity with China.

I trust nobody will feel slighted or offended if I were to single out three special efforts of our host agencies that deserve special commendation. They are:

1. Agriculture Canada's superb efforts in negotiating phyto-sanitary agreements for livestock and plants.
2. CIDA for its excellent Chinese agricultural student language training program, particularly the one I am familiar with at Malaspina and Olds Colleges. We work closely with those students and they help our understanding of China today. More importantly, when they return to China and take on important functions, they are the best ambassadors this country has in establishing solid relationships.
3. Embassy staff at Beijing and Hong Kong for their superb efforts. Despite limited resources, they have done so much for so many of our agri-business people visiting China.

PROVINCIAL EXPERIENCE AND PROSPECTS IN THE CHINESE AGRI-FOOD SECTOR

Mr. Barry Mehr
Assistant Deputy Minister, Marketing
Alberta Agriculture

In 1979-81, the Chinese market represented 7% of total Canadian agriculture and food exports. This rose in 1983 to 10% and fell dramatically in 1985 to 5% of Canadian agri-food exports. However, the bulk of the trade remains in high-quality feed grains, particularly wheat. Also, as seen from the Canadian perspective, we find Chinese grains competing with us in the feed grains market, either directly as in Korea or indirectly as in the case of pork production shipped from Taiwan - Taiwan is using Chinese feed grains to replace traditional Canadian supply, although that trend is turning somewhat back in our favour.

Given this environment, what is the Alberta planning process? Again, to put China in perspective, export markets around the world are assessed - first, for realistic levels of imports by each market for agricultural products; second, for accessibility, proximity, available transportation service, tariff and non-tariff barriers, tariffs, import controls, etc.; then macroeconomic information on GNP, per capita income, etc.; then profitability and the greatest returns (including volume considerations) become important; and, finally, aid and credit sales are factors.

Through this research, we have established for the Alberta industry 15 regions and/or countries, selected and grouped into 3 tiers. These regions represent the best prospects for increased sales of Alberta products and services. Within that context, the PRC is a tier 2 market priority, lumped together, to put it in perspective, with the ASEAN countries, the European Economic Community, Mexico, South Korea, and the Soviet Union. That is exclusive of grains, in that their market development is the responsibility of the Canadian Wheat Board.

What kind of conclusions does this bring us to? China will remain an important but ever-reducing market for high-quality Canadian wheat. China's feed grains surpluses will become deficits as they begin to reach their dairy and meat production objectives. This will create a modest market, in the medium and long term, for Canadian feed grains. China's dairy and meat objectives have created a large, though relatively short-term, market for genetics - livestock, semen, and embryos - as well as for forages, seeds, and pasture management technology. There is and will continue to be a market for distribution technology and equipment. This currently is being cornered by the Japanese, and I don't see that changing. Caution is required. We feel that if you undertake business, although you have to have the long-term horizon, there must be some rather short-term returns if it is to be worth the private sector's time, energy and investment, because of the unknowns that are still very apparent in that market. They have already been talked about today, so I won't go into further detail.

Alberta supports the federal government's program, and it was one that was built by External Affairs, of working in those regions of common interest. That's why Alberta twinned with Heilongjiang; that's why we have an agricultural subagreement under that twinning; and I could go into some of the other activities that have taken place there. Similarly Ontario and Saskatchewan have twinning arrangements. BC is working in three regions. Now, I've tried to put this in positive terms, and I must stress that I agree with Gordon's (Dr. Gordon A. MacEachern's) comment about CIDA's project to bring students into this country to better understand our agriculture so that they can go home and be our salesmen. You're to be complimented.

On the negative side, from the Alberta industry perspective, CIDA has not been able to get its act together with External's program that I just mentioned. In regard to CIDA's investment in China, from a strictly Alberta standpoint, at this point in time the ledger would say that maybe we shouldn't have spent that money. That's a selfish regional statement. From a Canadian perspective, the fact that we do have the money available will help us all in Canada. As far as our industry is concerned, obviously we have problems. However we have great affinity with the people at this table, no problems working with them individually nor collectively with their organizations and coordinating our programs. So, it can be done, and I don't think that the provinces deserve the criticism that they receive for their "uncoordinated activities", because it is very difficult. So, that's mostly myth.

As you will appreciate, because of the uncertainty that has been generated in the Chinese situation our programs, although still very important to us, and very intensive, have been somewhat geared to seeing what the private sector can achieve, given the initial efforts that we put into this market. Some of the programs have resulted in major sales. In one example, the door was opened by our programs and the company is doing hard currency business that isn't aid related; that is, it is done by letter of credit, and is an important export market for the Alberta commodity in which they do business. So, it can be done, but there are not many such examples in the room, I'm afraid. I would prefer to have had the organization involved up here talking about it.

To very quickly list our targets: pursue dairy and beef genetic opportunities; pursue crop genetic opportunities, with emphasis on forages; pursue technology transfer opportunities, particularly in the fields of dairy and livestock production, processing, distribution and marketing, and this includes pasture development. We hope to demonstrate the dairy beef genetic opportunities, the crop genetic opportunities, with forage emphasis, and the technology transfer opportunities, through this demonstration project. It is going into it's third year and showing great promise. Some commercial sales have resulted.

In summary there is real opportunity for a diversification of Canada's agriculture and food trade with China. China has limited resources available to finance its development objectives. We're chasing a limited market, not one that is absolutely huge, and we have to accept that reality. And, to repeat what Bill Robertson said, Canada must get its act together and do it in a professional, sophisticated manner or we will lose and our competitors will get this limited business. Our friends in Wisconsin are after the same business and, if we don't get our act together in Canada, you know where the bulk of the dairy business is going to go - and it won't be to this country.

Those are a few of the thoughts and ideas from the seven or eight years that we have been active in what is an exciting market, and I thank you for the opportunity of sharing them with you.

Michael Crosthwaite
Assistant Deputy Minister, Trade Development
Saskatchewan Department of Economics and Trade

The Province of Saskatchewan trades for a living. Trade accounts for almost half of our Gross Domestic Product, and one in five jobs in our province is in a trade or a trade-related industry. That's why we strongly support trade liberalization, especially with the United States. We want improved access to markets for our goods and services, and increased security of that access against protectionist actions.

But that's in the future, and complex negotiations lie ahead. Right now, we're facing a difficult time because the destiny of two of our major export products--grain and oil--is being determined by the world market. There's a grain glut, and the price of oil remains very low. To compensate, we must seek new markets.

China presents us with many new opportunities for trade. Although we've been trading with the Chinese for 25 years, primarily selling them wheat and potash, there is much more we could be trading. Using processed foods as an example, there's a great demand in China for things like potato chips and breakfast cereals. There are also many opportunities for joint venture, such as offering our expertise to help them grow better crops or breed healthier livestock.

To make further inroads into the Chinese market, we must be more competitive in the pricing and quality of our goods, and we must be innovative with regard to packaging; in other words, come up with more attractive sales arrangements. We must also remember that trade is a two-way street. If we expect them to import our goods, we must be prepared to import some of theirs.

As I mentioned, Saskatchewan and China have been trading partners since 1961, when the Chinese began buying our wheat through the Canadian Wheat Board. In the 1970s, China became a major purchaser of Saskatchewan potash, and we began arranging exchange programs involving farmers and scholars. Our relationship deepened in 1981 when the Chinese broached the idea of "twinning" our province with the Chinese province of Jilin. Premier Devine visited Jilin in 1983, and the next year the two provincial governments signed a protocol of friendship and understanding.

Our initial plan of action for that agreement had two main objectives: to consolidate our friendship and to try to realize some commercial benefits for both provinces.

We're quite happy about our progress on the first point and believe we have established a friendly relationship with the people of Jilin. But, we now realize that a very focused, defined commercial strategy must be carefully plotted within the framework of that plan of action. It will take a lot of hard work, over a long period of time.

We know our strengths. The Chinese continue to have an interest in our wheat and in our potash. One of our goals, then, is to maintain/increase our sales levels in those commodities. But the Chinese production of cereal grains continues to increase, so we must also be ready with alternative agricultural products and other commodities.

In 1984, China produced a record 407 million tonnes of grain. That number slipped last year, but is projected at 400 million tonnes this year, and at between 425 million and 450 million tonnes by 1990. The most recent five-year plan (1986-1990) points out that agricultural growth remains the foundation for development of China's national economy. They plan to steadily increase grain production, as well as outputs from animal husbandry and other related areas.

We are approaching the Chinese market on a systematic basis using specific initiatives to improve marketing prospects for sectors which have a potential in China. We're using the normal tools, such as fairs and missions, but because of the special nature of the market requiring a continuing presence, we've established an office in Hong Kong which has responsibility for dealing with China.

We also look to our special relationship with Jilin Province where we have a long-term approach and have drafted a second plan of action to take us through next year. I'd like to make it clear that although we have a special relationship with Jilin, it is just our starting point. Commercial interests are paramount and our intent is to focus on China as a whole rather than on one province.

China's emerging consumer society makes the market extremely attractive for those of us prepared to export. However, with the Chinese, demand does not necessarily mean they're ready to make a quick purchase. For example, it's generally agreed that China could use much more potash than at present. It now accounts for only 2 percent of the world's agricultural consumption of potash. Yet in 1985, China made few new purchases of that commodity, and Saskatchewan's sales alone plummeted to 152,000 metric tones from 700,000 tonnes in 1984. By comparison, India purchased 500,000 tonnes of our potash last year, while Japan bought 600,000 tonnes.

The drop in potash sales to China is a serious concern for us because Saskatchewan has long been that country's largest supplier. In our plans, we see China as our number one market development priority for potash. If we can demonstrate to the Chinese the need for increased potash use, we believe there's the potential for tens of millions of dollars in additional sales to that country in the next few years:

Canpotex recently concluded a new sale of potash to China and credit for the sale goes to its \$1 million advertising campaign on local Chinese radio and television stations, and in 14 newspapers in South China. The ads are educational - stressing the need for balanced fertilization, as well as promotional - telling the Chinese about the quality of Saskatchewan's pink potash.

To substantiate the claims in the ads, the Canadian International Development Agency (CIDA), the Saskatchewan government and the potash industry are funding a program so the Potash and Phosphate Institute of Canada can run potash research and demonstration plots in China. I'd like to take this opportunity to thank CIDA for its help with this project, and for accommodating the expansion. We hope that success with this cooperative venture will lead to other similar projects in China in the future.

Another important part of that program is that it promotes the exchange of agronomic expertise between Canada and China. Education is very important, so we want to continue to host agricultural scientists and farmers from China, as well as sending our experts to their country. A federal/provincial agreement is making it possible for us to send a Potash Study Mission to China in May, and we also hope that kind of cooperation will continue.

Turning now to agricultural products, our goal is to increase our sales of wheat, other grains and oilseeds to China. Although the Canadian Wheat Board does the marketing for us, we can still provide indirect support through such things as ministerial missions and receiving Chinese delegations.

Between 1961 and 1984, Canada sold 55.3 million tonnes of wheat to China, for a total value of \$7.1 billion. Estimating Saskatchewan's exports at 60 per cent of the Canadian total, our share was approximately 33.1 million tonnes valued at \$4.26 billion. But our wheat sales to China dropped dramatically in 1984 after enjoying healthy increases every year since 1979. After purchasing \$550 million worth of our wheat in 1983, the Chinese bought only \$36 million worth in 1984. Our barley sales to China also dropped that year--to \$1.2 million from \$4.1 million the year before.

We see opportunities for increased sales in a number of agricultural subsectors, including malt, malting barley for beer, and feed grains for livestock. Other opportunities for exports to China include livestock, dairy products, seed, genetic material and agricultural expertise. We're focusing our marketing efforts on: lean swine, malting barley, cattle hides, breeding swine and dairy cattle stock for herd improvement, and breeding elk stock and semen.

But we don't simply want to export those products. As I said earlier, we have to look at packaging. Using livestock as an example, we might consider a package that would involve the sale of the animals along with everything from education on feed to the care of the animals, and from the processing of manure to slaughtering and meat processing.

In Jilin, and in the rest of China, there are a number of ways in which the expertise of Saskatchewan farmers and agricultural scientists could be used to improve farm management and crop yields. Specifically:

- Dryland farming techniques, including the establishment of demonstration farms to show the potential of Saskatchewan's agricultural technology;
- research on rapeseed varieties and new varieties of cereal grains; and,
- cropping techniques for alkaline soil.

Other agriculture-related expertise could be given in the following areas:

- Grain handling and storage;
- grain processing technology;
- bioengineering, disease diagnosis and research in plants and animals;
- techniques to determine quality in meat (especially pork); and,
- extending the shelf life of meats, produce and dairy products.

We have already taken a number of steps toward our goals. For example, the Deputy Governor of Jilin and an Animal Husbandry Working Group visited Saskatchewan in 1984. Out of that came an agreement to explore the possibility of importing beef and dairy cattle embryos from Saskatchewan.

Some of our other initiatives include:

- promotion of a technology transfer in embryo transplant with the Gansu Province;
- participation in the Ag-China Trade Show in Beijing last November, including sponsorship of seven companies to attend the show;
- assistance with the development of a relationship between their Agriculture College and our Western College of Veterinary Medicine;
- the University of Saskatchewan's College of Agriculture is implementing a CIDA-funded crop and soil improvement project in Jilin which was initiated in 1982.

All of this is of course just a start, but we believe it's a very good one, and one that will benefit both Saskatchewan and China. Our relationship with Jilin, our Hong Kong office, our efforts to educate the Chinese with regard to agriculture, and our willingness to help them market their products in Canada, will be good for both of us.

While trying to increase sales of our agricultural and food products in China, we'll also be helping them move their own agricultural industry forward. Continued participation in each other's trade shows will have mutual benefits as well. We know it isn't easy to crack the Chinese market, and it will become more difficult as their technology advances and they catch up to the developed countries. But for now, many opportunities exist, especially in the agri-food sector. Good products, good research, good plans and a good relationship between Saskatchewan and our target groups in China, leads us to believe that we will achieve our objectives.

Dr. George H. Collin
Assistant Deputy Minister, Marketing and Economics
Ontario Ministry of Agriculture and Food

I welcome the opportunity to participate in this "Experience of Provinces in Marketing in China". As the spokesman for Ontario, I want to talk about the network of resources we have built as a result of our experience in China trade. I certainly do not pretend to be part of the proliferating group of China experts; however I have discussed our experience with my colleague, Michael Loh, who is our Pacific Rim Specialist and has led several Chinese guests to Ontario. In addition there are more than 20 experienced people registered in this conference representing commercial firms in Ontario who have successfully marketed in China.

I have also sought the experience of my Ontario colleagues who are technical experts and specialists. There is a common statement from all: be very careful to know your opportunities and have a patient and flexible approach in your business and technical dealings in China.

Trade headlines a month ago were: "Ontario livestock and poultry breeders have gained a major foothold in China as a result of \$3,000,000 sales of product from a recent sales mission". You must realize that this opportunity represents three years of trade efforts initiated in our market identification tour in July, 1983 and due in part to federal efforts in establishing livestock health standards and quarantine facilities.

Survey of Export Promotions In China

Export Services Offered by the Ontario Ministry of Agriculture and Food are:

- Market surveys, incoming missions, seminars, sales missions, trade shows, export counselling.
- Contact - Michael Loh, International Trade Consultant, Pacific Rim Specialist, 801 Bay Street, Toronto, Ontario, telephone (416) 965-7038.

and by Ontario Ministry of Industry, Trade and Technology

- Similar services to non-agricultural sectors. The China section is a five person section established by MITT in the last year. It has to date 80 successful clients in computer technology, software and similar technical apparatus.
- Contact - Robert Halfnight, Director, China Section, 900 Bay Street, Hearst Block, Queen's Park, Toronto, Ontario, telephone (416) 963-3082.

The session chairman asked that we cover four points in regard to China trade: trends and needs in China, opportunities and constraints regarding exports, how to stimulate exports to China, and government trade initiatives with China. I hope to complement rather than repeat what has already been said in this very thorough discussion of China Trade.

1. Trends and Needs in China

Agricultural products have been designated as import priorities by the Chinese government. Our experience indicates that there is good demand for production inputs for primary agriculture. As a result, Ontario's targets for marketing are:

- cattle and pigs for breeding purposes
- animal semen for artificial insemination
- poultry stock
- grain handling equipment
- pre-mixes for feeds and veterinary products.

We also receive inquiries for technology transfers in all aspects of agricultural production and processing. The primary objective of the Chinese is to upgrade their capacity and skills in the agricultural sector to meet expanding domestic food requirements and to increase export earnings. Dr. Choong's picture this morning is ideal technology transfer; as the sale of semen represents the total of technology and records of performance and typing of Canada's dairy cows.

While there is some movement in raw agricultural products from Ontario to China, export sales are at best sporadic. Major Ontario exports have been flue-cured tobacco, cattle hides, and milk powder.

For example, our experience with tobacco sales in China dates back to 1981 when a group of Chinese buyers purchased \$7.8 million of Ontario tobacco. It is a contrast that China is the world largest producer of tobacco but we were able to do business because China wanted our tobacco for blending and, more importantly, to cover a one year shortfall in production. We have had no tobacco sales in recent years as developing countries find preference in the Chinese markets.

2. Opportunities and Constraints Regarding Exports

Commercial sales are largely limited to items required for upgrading China's capacity in agricultural production and processing. I put an emphasis on food processing because this is the particular interest of Chinese visitors to Ontario.

Best opportunities exist for companies that are interested in joint-venture projects. Specifically, the Chinese are seeking partners who can introduce modern technology in the form of equipment and expertise. They want to utilize their raw products and abundant labour for making goods to increase export earnings. A main objective is that China wants to use its base for making value-added products for re-export to Canada to gain a trade balance.

Using the tobacco example again, the Chinese were interested in following-up the 1981 sale of tobacco by having R.J. Reynolds establish a cigarette manufacturing plant in Shenzhen to make international brands exclusively for export.

Decentralization of authority has given the provincial, regional and municipal governments more autonomy and money for trading. Ontario exporters find that they increasingly are dealing with the provinces directly. Many government officials in more remote provinces are facing their first exposure to international business, let alone dealing with westerners. You will find that they have very little experience and different expectation levels in business negotiations. For example, their interest may be in investment and expertise from you to enter into a joint venture project, which is a frustrating experience if you are trying to close a commercial sale.

Michael Loh's advice is that business is slow to develop in China. Unless you have the right contacts and especially agents in China and your products are on their list of essential imports, you will be frustrated.

You will find that the Chinese readily offer to sign a letter of intent. The validity of the letter of intent is overrated by many Canadian businessmen.

We are just now experiencing the first impacts that decentralization is applying. This particularly is noticed in technology transfer proposals. We note a change in the emphasis on individual opportunity and the demand of college students in China for technical innovation.

3. How to Stimulate Exports to China

OMAF's approach to China opportunities has necessarily been very practical with only limited resources. Michael Loh has identified major export opportunities. He attracted key buyers to visit Ontario. The March 1986 shipment of \$3,000,000 of breeder livestock was initiated by a 1984 incoming livestock mission. He assisted Ontario suppliers to get in touch with the right people in China.

Before embarking on any major promotion there should be proper identification of opportunities and prioritization of activities to capitalize on the emerging demand of this huge market. Exports can be stimulated through federal or provincial trade missions, participation in trade shows, heightened awareness through export seminars, and coordination of development aid programs to impact on export sales.

4. Government Trade Initiatives with China

Federal or provincial ministerial visits to sign protocol agreements will open doors in China. Government departments can provide further impetus to early completion in their negotiations with the Chinese on import regulations. Health standards for breeding stock and provision of quarantine facilities in China are excellent examples. The recent signing of a quarantine agreement between Canada and China has opened the door for major increases in livestock sales.

Our Ministry is planning another major initiative later this year at the International Agribusiness Exhibition and Conference in Beijing from November 4th to 10th. Twinning with the provinces will generate more interest at the "grassroot level", although there is a great expense involved in protocol activities before any export sales can be achieved.

Although invited to make comment on the federal programs offered by External, CIDA, and Agriculture Canada, I have no evaluation to give you of these. However, I repeat our strong support for animal livestock health standards and look forward to the sales of crop genetics when the vital standards and agreements are completed and in place by the federal government's negotiation with China.

The Ontario-Jiangsu Twinning Agreement has resulted in the Ontario/Jiangsu Technology Centre in Nanjing, with educational exchanges and cultural exchanges.

5. Ontario agribusiness companies doing business in China:

- J.M. Walker Farms International Inc., Aylmer
- Donaldson International Livestock Ltd, Tavistock
- Semex Canada, Guelph
- Shaver Poultry Breeding Farms Ltd., Cambridge
- Canada Packers Inc., Toronto
- Interimco, Ottawa
- Imperial Leaf Tobacco, Aylmer
- Delta Leaf Tobacco Co. Ltd., Tillsonburg
- Simcoe Leaf Tobacco Co. Ltd., Simcoe
- Shamrock Industries, Norwich
- Canadian Bird, Hamilton
- W.G. Thompson and Sons Ltd., Blenheim
- P.V.U. Inc., Cambridge
- Agri-Vet, Weston
- Vetrepharm Inc., London
- K-Vet Ltd., Cambridge

TABLE RONDE DES GOUVERNEMENTS PROVINCIAUX

Henri-Paul Blanchard

Directeur des marchés extérieurs

Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec

La Chine, nous venons de le voir, est un marché à saisir via la coopération technologique. Un aspect fondamental et particulièrement significatif pour le Canada, de la politique chinoise d'ouverture sur le monde du commerce extérieur, est cette décentralisation pour la négociation directe de certains contrats de coopération par les grandes villes et les provinces. Ces dernières disposent de moyens financiers et d'un pouvoir décisionnel qui leur permettent de s'engager directement dans des opérations internationales et d'accorder des conditions particulièrement avantageuses aux industriels étrangers.

Ces provinces et zones économiques spéciales ont chacune leurs caractéristiques propres et souhaitent développer une industrie agro-alimentaire répondant aux besoins des marchés tant intérieurs qu'extérieurs. La stratégie chinoise du Québec est en quelque sorte basée sur cette recherche de partenaires régionaux et locaux qui privilégient des activités spécifiques de développement, compatibles avec les secteurs d'excellence et d'expertise du Québec. Deux de ces zones ont en effet été et sont actuellement l'objet d'initiatives concrètes de rapprochement avec le Québec: la province du Shaanxi et la ville de Shanghai. J'aimerais vous exposer ici les grandes lignes de ces projets de coopération, après avoir situé l'importance statistique de nos échanges commerciaux avec la Chine.

Situation des échanges commerciaux Chine-Québec

Notons tout d'abord que la balance commerciale Chine-Québec est défavorable au Québec et que nous sommes le principal client canadien de la Chine. En 1984, le Québec importait pour 196 millions de dollars de produits chinois (treizième fournisseur), alors que nos exportations totales ne s'élevaient qu'à 114 millions de dollars (neuvième client).

En ce qui concerne les échanges du secteur agro-alimentaire, leur solde est également très déficitaire. De 1984 à 1985, nos exportations sont passées de 3,5 à 7,0 millions de dollars alors que nos importations dans ce secteur s'élevaient de 9,4 millions de dollars en 1984 à plus de 12 millions de dollars l'année suivante. Nous vendons surtout de la poudre de lait (dont les niveaux annuels fluctuent considérablement) de la farine de blé et des huiles végétales. Le Québec est un excellent client pour les champignons, les noix, les fruits en boîtes, les dattes et légumes séchés et le thé chinois.

Revenons maintenant aux dossiers de coopération bilatérale.

Coopération Québec-Shaanxi

En octobre 1983, le gouvernement du Québec signait une entente de coopération en matière d'agriculture avec la Commission pour la science et la technologie du Shaanxi. Cette entente était le résultat d'un échange de missions de haut niveau de part et d'autre. Elle identifie des secteurs précis et propose un programme opérationnel de coopération renouvelable annuellement.

Parmi les projets et sujets retenus mentionnons:

1. Un projet conjoint de recherche pour l'amélioration génétique des races porcines respectives.
2. L'amélioration du rendement du cheptel laitier chinois par la régie des élevages.
3. L'amélioration de la production fourragère.
4. La régie des troupeaux laitiers.
5. Les techniques de sélection et de conservation de pedigree Holstein.
6. Des essais de nutrition animale chez les vaches.
7. L'amélioration génétique des bovins laitiers.
8. La transformation et la conservation des produits laitiers et des fruits et légumes.

Dans la foulée de cet accord, diverses manifestations et réalisations ont déjà pu être menées à terme ou sont bien engagées (bourses d'études, accueil de missions, stages au Québec, etc.).

Ainsi, un accord-cadre de coopération entre l'Institut agronomique du Nord-Ouest à Wugong (Shaanxi) et l'Université Laval a été approuvé par cette dernière en août 85.

En octobre/novembre dernier, deux spécialistes québécois se sont rendus au Shaanxi pour agir à titre de conseillers en plantes fourragères et maraîchères. Les discussions et visites ont permis d'amorcer des échanges de matériel végétal et d'informations scientifiques et techniques entre chercheurs du Québec et du Shaanxi.

Il faut reconnaître ici, qu'étant donné son ampleur, la mise en oeuvre d'un tel accord nécessite beaucoup de ressources et mise sur des retombées économiques et commerciales à plus long terme.

Coopération avec Shanghai

En mai 85, le maire de Montréal, M. Jean Drapeau, signait, à Shanghai, un protocole de coopération amicale avec son homologue, M. Wang. Ce protocole visait à établir et développer des relations privilégiées et une étroite collaboration entre les deux villes, notamment dans les domaines technique, scientifique, culturel et commercial.

La Commission d'initiative et de développement économiques de Montréal (CIDEM), en tant que répondant canadien, a organisé une mission exploratoire à Shanghai en décembre dernier et a retenu l'agro-alimentaire, comme un des trois (3) secteurs prioritaires de coopération. Un représentant du MAPAQ a accompagné cette mission et a identifié un certain nombre de projets agro-alimentaires et de secteurs prometteurs d'échanges favorables à l'économie agro-alimentaire shanghaienne, dont entre autres:

- l'amélioration génétique des bovins laitiers, via notamment:
 - 1) l'importation de semences et d'embryons congelés, 2) l'établissement d'un centre de semences et d'embryons (joint-venture) et 3) l'importation de cheptel vivant;
- la fourniture d'une expertise en production et traitement du lait;
- l'amélioration génétique du troupeau porcin;
- l'acquisition d'équipements pour poulaillers;
- l'acquisition d'équipements et de techniques de transformation des aliments (croustilles, jambon...);
- l'acquisition de techniques de conservation des fruits et légumes.

L'accent a été mis ici sur des projets modestes dans un premier temps, mais dont la réalisation entraînera une connaissance mutuelle accrue des dossiers. Une double particularité de cette approche est que la partie chinoise intéressée et concernée viendra au Québec dans un premier temps et que des entreprises du secteur privé les prendront immédiatement en main pour donner suite sur une base commerciale à leurs besoins, le gouvernement jouant un rôle supplétif de facilitateur, d'information et de caution morale.

Deux dossiers de coopération qui se distinguent par leur approche et par la nature des intervenants mais qui visent des objectifs similaires, soit d'associer le Québec à des projets spécifiques et prioritaires de développement du secteur agro-alimentaire des régions concernées.

Récapitulons!

L'agro-alimentaire en Chine est un secteur arriéré. Pour rattraper ce retard, les objectifs sont ambitieux, notamment: (1) multiplier par cinq la valeur de la production d'ici l'an 2000, afin qu'elle atteigne 125 milliards \$ et représente 15% du PNB, et (2) porter la part de la production agricole transformée de 30 à 50% de la valeur du secteur agro-alimentaire. Selon les dirigeants chinois eux-mêmes, la carte maîtresse du développement de ce secteur est la coopération avec les pays étrangers. Cette mesure d'urgence s'impose évidemment de pair avec les efforts de restructuration/modernisation interne de l'agriculture et d'une certaine "libéralisation" de l'économie.

Diverses formes ou structures de coopération existent, allant de la société mixte et la compensation à la vente directe. Cet important aspect a déjà été abordé dans les sessions précédentes et le sera encore d'ici la fin de cette rencontre. Je me limiterai donc ici à identifier quelques domaines prometteurs de coopération présentant un intérêt certain pour le Québec:

- l'élevage laitier: sélection de reproducteurs, régie de troupeau, alimentation, santé, etc. Avec des possibilités pour la vente de bétail sur pied, de semences, d'embryons, de produits et matériels vétérinaires;
- le lait et les produits laitiers: transport, conditionnement, transformation (notamment fabrication de fromages et de yogourts);

- l'élevage porcin: sélection et amélioration génétique, semence, contrôle et indications des maladies, etc.;
- le conditionnement et la transformation des aliments, dont certains fruits et légumes: par le froid, la lyophilisation, l'irradiation, etc.;
- la fabrication de la bière: moderniser et construire quelques 200 brasseries...un défi rafraîchissant.

Ces filières de coopération technologique dans le secteur agro-alimentaire représentent certes des possibilités commerciales pour des produits et des équipements, mais il est une richesse dont nous disposons et qui intéresse la Chine, c'est le vaste réservoir de savoir et de savoir-faire de nos secteurs publics et privés.

Remarques finales

Vous comprendrez qu'il n'aurait pas été élégant de ma part de vous parler spécifiquement des dossiers des entreprises québécoises du secteur agro-alimentaire, qui ont obtenu ou sont susceptibles de signer des ententes commerciales avec des partenaires chinois. Il y en a effectivement et heureusement quelques-uns la plupart du temps dans des secteurs identifiés précédemment, et nous souhaitons que leur nombre et que leurs chiffres d'affaires s'accroissent. Les progrès sont lents et les difficultés sont nombreuses. C'est pourquoi il incombe aux différents niveaux de gouvernement de travailler ensemble, pour permettre aux représentants de notre secteur agro-alimentaire d'être plus visibles et d'être davantage sélectionnés pour offrir nos produits et nos services à la clientèle chinoise.

Le marché chinois est gigantesque. Ce pays doit nourrir le quart de l'humanité! Le défi est grand et la tâche est noble pour le Canada et les provinces d'y contribuer, chacun. Des initiatives du genre de la présente rencontre sont à encourager et à répéter. Elles permettent aux différents intervenants canadiens de mieux se connaître et d'approfondir nos connaissances des besoins chinois. La concurrence étrangère est en effet très vive pour se tailler une place sur le marché chinois.

Le Québec offre sa collaboration et souhaite être associé aux activités du gouvernement fédéral dans la définition et la mise en oeuvre de sa stratégie agro-alimentaire chinoise. Et pourquoi pas une coopération interprovinciale en matière de coopération agro-alimentaire avec la Chine?

OFFICIAL WORKING DINNER AND SESSION

Mr. Chen Keqiang
Counsellor (Commercial)
Embassy of the People's Republic of China

First of all, I would like to express my sincere thanks to CIDA, Agriculture Canada and the Department of External Affairs for sponsoring this conference on meeting China's agribusiness challenge. I am pleased to be invited and to have the opportunity to speak to this working dinner session.

China is an agricultural country, with 80% of its population in the rural areas. Agriculture has always been one of the priorities in the development of our national economy. In recent years, profound changes have taken place in the countryside, where preliminary success in economic reform has been achieved. Since 1981, agriculture has been growing at an annual average rate of 10%. China has become self-sufficient in grain and cotton.

During the period of China's seventh five-year plan, which begins this year, the annual growth in output value of agriculture will average 6%. To this end, we shall adopt effective policies and measures to increase per-unit grain production. Improved variety will also be a goal. In view of natural conditions and market conditions, we will also increase production of cash crops. At the same time, we will speed up the development of forestry and animal husbandry, and the cultivation of fresh water and marine products.

In the suburban areas of large and medium sized cities, we will put our emphasis on the expansion of the production of poultry, vegetables, eggs, milk and other non-staples. While carrying out the economic reforms in the countryside, we will speed up the technological transformation of agriculture. We will intensify intellectual development in the countryside and vigorously spread the use of agricultural science and technology. This will help to raise the technological level of agricultural production. It will also improve product quality and economic results. We will increase state investment in agriculture - especially for water conservation projects, farmland capital construction, cultivation and importation of supplies of chemical fertilizers, farm chemicals and farm machinery. Soil conservation projects will also be emphasized.

Cooperation in agriculture has been one of the key links in the trade and economic relations between Canada and China. In the early 1960's, the wheat trade pushed Sino-Canadian trade and economic relations to a new stage. From 1981-85, our annual wheat imports from Canada averaged 3.32 million tonnes, valued at \$677.6 million. Therefore, the grain trade occupied a very important place in the bilateral trade between our two countries.

With the development of this relationship and the signing of the animal quarantine agreement last year, the exchange of animal husbandry products has become very active between our two countries. Not only are Canadian chickens laying eggs in China, but there are also 800 head of cattle from Canada that will be grazing on China's pasture land in a few months' time.

At the moment, the negotiation of the Sino-Canadian quarantine agreement is going smoothly. We hope that more diversified channels of agricultural cooperation will be opened up between our two countries.

Being a developing country, China needs to introduce the advanced technology available from Canada. It is worthy to note that, with financial support from CIDA, about 10 projects are progressing successfully in China, ranging from the improvement of crop varieties, the breeding of good quality milk cows, the prevention and cure of disease in potatoes, to the upgrading of grassland. Through these projects, Chinese peasants have been able to learn Canadian advanced technology and better their knowledge. In addition, quite a number of Canadian provinces and companies are working on cooperation projects with China in various ways.

I would like to say that we are willing to further our cooperation with Canada in every aspect in the development of our agriculture.

It is China's basic national policy to open its doors to the outside world. During the period of the seventh five-year plan we should further promote trade and technological exchange with all other countries. This includes both developed and developing countries.

In accordance with the principles of independence, equality and mutual benefit, between 1986 and 1990 we should increase total imports and exports by 40-50%. At the same time we should use more foreign investment and introduce more advanced technology. This will accelerate China's modernization. China welcomes foreign firms and traders that wish to engage in joint ventures and/or cooperative enterprises - or to launch ventures exclusively with their own investment, especially those which require intensive technological investment and are mainly intended to earn foreign exchange through exports.

We should further improve laws and regulations concerning foreign nationals and firms. We should strengthen our infrastructure and increase efficiency, to make investment more attractive to foreigners. We always hold that economic cooperation should not benefit only one side. It should be mutually beneficial. China, with one billion of population, can offer you a large market and opportunities for business. Equally, Canada has a vast territory, and can be a good trade partner with China. We are in a position to provide you with our technology and products. At present, besides traditional commodities, we can export large quantities of corn to Canada.

We think that only with increased exports can China improve its balance of payments and improve our technology. This will lead to more trade with Canada.

There is an old Chinese saying that the going gets toughest towards the end of a journey. Although we have done a great deal of work, and have achieved good results and cooperation between our two countries, especially in agriculture, we should not be content with what we have achieved. We wish to work hard, together with Canada, to open up even brighter prospects in the development of friendship and agricultural cooperation between our two countries.

CHINA'S NEW FIVE-YEAR PLAN - IMPLICATIONS FOR CANADA

Dr. Paul Lin
Professor, Institute of Asian Research
University of British Columbia

I've been very impressed today, listening to the discussions. It appears to me that all of us, including myself, have reaped a great harvest from this conference on Agribusiness in China. In fact, it gives me the idea that perhaps something of a similar nature could be done by some of our Chinese counterparts. Our friends could perhaps do something where an inter-departmental group along with businessmen in a special sector of business could perform a similar job of exchanging information, which is so necessary and useful for the promotion of trade between China and Canada.

Because today's session certainly struck a note of strategy, I think I should begin by saying that, when we talk about strategy, it is necessary to talk about where we came from, where we are now, and where we want to go. It is in this respect that it is also important for us, as Canadians, to understand where China is today, where it came from and where it is going.

It seems to me there is a no more crucial time to discuss this issue than today, when China is in the midst of launching its seventh five-year plan. This seems to be no ordinary five-year plan. Indeed it takes the evolution of China in certain respects into a new era. It marks, for example, the transition from a subsistence economy into the beginnings of a consumer economy. It marks the end of an era when China struggled in order merely to feed and clothe her people. And for the first time in China's history, development will be geared and energized by consumer demand. For the first time, it will not be capital accumulation and capital investment that sparked and drove this development but the new purchasing power and the new consumption needs of the Chinese people and Chinese industry. This is, indeed, a threshold of a new era and, in many respects, the seventh five-year plan marks this transition. I should say first that, if we are looking at strategy, we have to go back centuries in Chinese history to understand how the Chinese feel today and why their policies come out in the special way they do - but looking at it as people from outside China.

I have just come from the exciting city of Vancouver, where I witnessed a preview of the China pavilion at Expo '86. In that pavilion was exhibited the prow of a great war junk which existed at the beginning of the 15th century during the Ming Dynasty, when the great Admiral, Zheng He led a huge armada of Chinese ships to the south seas, right across the Indian Ocean to the east coast of Africa; on seven separate trips, with more than 10,000 men in ships across whose bows you could have put the Pinto, the Santa Maria and the Nina, the ships that Columbus sailed to discover the western world.

What I'm suggesting here is that China is going through a new cycle of history because, right up to the 15th century, her technology and her science, as well as her social system, were far ahead of most countries in the world. It has been only in the last few centuries that China fell behind and, indeed, when we talk about the transfer of technology, sometimes it is useful to remind ourselves that the first major technological changes or breakthroughs in the modern era may have been transferred from China to the west in the form of paper or printing. I'm not so sure gun powder was a useful invention, but even the stern coast rudder and horse stirrups were transferred across the silk route to Europe. And today we have a new situation after a lapse of several centuries when for various institutional, social and ideological reasons China fell behind in the scientific progress of the world. She is now hoping for a transfer of technology and science in the other direction. Now, of course, she will pay for it. But the importance of understanding this is that China is not backward in the sense of not having the basic ingredients for fast advancement in the modern world of science, but mainly because of certain very outdated historical characteristics of her society and her economy of which the Chinese people and their leaders were not fully cognizant, strangely enough, until as late as 1978.

The attempt to make China modern began, of course, much earlier than that. It began at the end of the 19th century with the attempt to learn from the west, but mainly in terms of its technology, to build western-type armories and, at the same time, to reject western values and to preserve the core of Chinese culture. All through these nearly 100 years, China has really basically attempted to do the same thing. But, after having discovered again and again that, somehow, the mere transplantation of a system such as the communal system of economy from the Soviet Union, or some other method of change, would not work to really change China's economic situation of backwardness and poverty, in 1978 China began to totally reassess her approach to modernity. It was then that brilliant Chinese leaders of vision, such as Mr. Deng Xiaoping, brought forward the idea of systematic reform across the board, a reform that changed the whole economic structure of China, a reform accompanied by the "open door". Now those of you who know something about modern Chinese history realize that China had an "open door" - or was perhaps the object rather than the subject of an "open door" - at the end of the 19th century. China's door was crashed open during the Opium Wars in the mid-19th century, and the "open door" that was forced upon China was one that benefited only those who forced their way into China. It was done under duress.

The present "open door" is the first open door in modern Chinese history that has been opened voluntarily and on equal terms with the outside world. Therefore, it is bound to last, because it is something that conforms to Chinese wishes, to Chinese needs and to the Chinese vision of their economic future. It is also bound to last because it is beneficial to China's neighbors all over the world and especially to those countries that cooperate with her, that trade with her and that have friendly relations with her.

It is the combination of economic reform and the open door that is the dynamo of progressive change in China today. When this concept was first introduced, it was not clear to everybody how it would work. There were no ready-made formulas for this immense transformation and for some people, especially the older generation who had been used, as I was during the 14 years I was in China, to a totally different system, it was indeed something that needed time to get used to. In my case I had been used to some of these characteristics long before in Canada, however, not quite the same. I will explain in a moment. The sixth five-year plan, which was inaugurated in 1980, was the first attempt to carry out these reforms. Most of these reforms, during that period, were in the countryside. The responsibility system of contracting production to the household, and depending on the household independently working out its profits and losses, was instituted during that first period.

The sixth five-year plan, 1980-85, turned out to be startlingly successful, and figures for that period tell that story. Agricultural production increased, according to the official figures, at about 10.8% per year. Industrial production increased at the rate of about 10.6% per year, and total national income and the GNP rose commensurately. The first and most important policy was to allow the peasant households to sell their own products over the established quota given to them by the production team which, in turn, obtained their quota from the government. Anything in excess of the quota could be sold by them at market prices. Additionally, there were specialty households which could engage in non-crop activities. Non-grain crop production became a substantial factor towards the end of that period. It became nearly a third of the output of farm production. In 1985, in fact, because of special measures that were instituted, the non-agriculture, in terms of non-cultivation activities including, for example, transport, food processing and minor cottage industries, produced 49% of the output in the villages.

The result of this has been so good that, for five years, China not only raised its production but there were no tremendous vacillations in output such as had occurred in the preceding years. Agriculture grew by 3.5% a year during the period between 1953 and 1980; nevertheless, there were periods of tremendous variation. I remember very well the years between 1960 and 1962, when I was in China and our children had barely enough food at the table every day for nearly a year or more. In 1985, this kind of shortfall did not occur, despite the fact that agricultural production declined by anywhere from 25 to 28 million tonnes, depending upon how you calculated some of the products which were, could be or could not be included in the grain production. Despite that very sharp drop in grain production and in food grains, this did not affect the consumption of food in China. There was no crisis because, for many years, China had enormous increases in agricultural output and, as Professor Smil mentioned this morning, you can see it reflected in the diet of the average person in China, something like 2,877 kilocalories per person, 80 g of protein, some 47 g of fat. Only the fat is below the world level of average consumption. The average intakes of protein and calories are somewhat higher than the average world levels, despite the fact that China's income on a per capita basis is very, very low indeed. It is very low because of the large population. Nevertheless, the amount of food consumed is still very, very high relative to other countries, and it constitutes a high proportion of per capita income. It is close to 50% as against, I believe, something like 40% in the advanced countries and less than that in advanced industrial countries. This is the basis on which the seventh five-year plan is now being conceived.

Of course, I have not mentioned industry, and we cannot cover everything tonight but, during the sixth five-year plan a beginning was made in carrying this economic reform into the cities. The responsibility system was attempted in the factories, but the situation with regard to urban reform is far more complex than rural reform, and it has to be done with great care because of the tremendous multiplicity of differing interests in different sectors of the urban economy. It is also a very different situation because the countryside has been based on a very self-contained subsistence economy. This is not so for the urban economy, which has always depended for its food and raw materials on the rural economy. Nevertheless, the experiment was so successful that the Chinese felt that the time had now come for another spurt and, this time, a complete across-the-board transformation of the economic structure.

This restructuring is something more than economic. It is an approach that in the seventh five-year plan emerges for the first time as a holistic, integrated and I would almost advisedly use the term, civilisational transformation. It is perhaps the largest and most quickly instituted transformation in the history of any nation, affecting every factor and every characteristic of the social order. The seventh five-year plan is intended to do two things: to increase production, and to continue the economic reform.

I have just come back from a discussion with the leaders of China. Although I am no expert on agriculture, I did have a discussion with the Research Committee on Agriculture in the State Council, which has done some extremely interesting studies of the characteristics of the Chinese economy today. What I'm suggesting here is that the change that is now beginning is far more profound than anything that has happened before. It is directed at these two aspects, reform and development, but if you were to ask them: "which is the first choice, if you had to have one?", the unequivocal answer would be - "reform". The reason for this is very simple. Again it is the word we use in our conference, it is the strategic priority. What is the strategic priority? By the year 1990, China hopes, through this sweeping reform, even though by then it won't have been completely finished, to have been able to create an economic structure that will make possible a rapid advance in China's development. It is then in the 1990's that China will move towards being a powerful economic force in the world, capable of attaining, by the end of the century, that cherished goal which they spoke about. That is, to quadruple production and to make possible the real transition of China from subsistence for the average human being to one of relative prosperity.

Now, the goals are very clear. First and foremost, China looks upon this period as not being one of precipitate growth. The experience of 1985 shows that some mistakes were made - the economy became extremely overheated towards the end of 1984 and, during 1985, it continued to move towards a fast-paced growth. The characteristics of this are very clear to most of you, I believe, who have followed China's economic development. First, there has been uncontrolled investment, especially in the capital goods sector. There also was an excess amount of money in circulation and an excess in consumption funds, that created havoc with the monetary system. As a result, China had to spend more than \$2 billion of foreign exchange to import consumer goods in order to syphon off some of the purchasing power. Finally, there has been an excessive use of foreign exchange, partly as a result of the imports and partly because of the decentralized use of foreign exchange, some of it unlawful, some of it because the authority was put into inexperienced hands. The most notorious example of this, of course, is the Hainan Island scandal, where the local authorities spent immense amounts of foreign exchange to buy 89,000 Japanese cars and about 150,000 new television sets and sold them to the mainland for two or three times their cost in order, they said, to use those funds for the development of Hainan.

This kind of thing will not happen again, but the loss of foreign exchange that occurred as a result was in the neighborhood of \$7.5 billion. Where the foreign exchange reserves stand today depends upon which figures you use, whether its from MOFERT (Ministry of Foreign Economic Relations and Trade), the Customs or the Bureau of Statistics - all of them are based on different methods of calculation. For most countries, the foreign exchange reserves would not look bad, because China's present foreign exchange reserves have gone back to about \$11 billion. This is sufficient to finance probably something like four months worth of imports. Normally most people would not worry about that, but in China you would worry about it. The reason is that the immense program of development in China requires such enormous funds that losses are critical and, therefore, from the point of view of the new economic theory that is being developed in China, the rate at which the economy is growing today will become counterproductive if it is not slowed down.

This is especially true in the agricultural sector, because if grain production were to increase at something more than, let us say 3% or 4% a year, according to some economists, this would mean that towards the end of the five-year period, there would be an enormous surplus of grain. The government would have to buy this surplus and this would, in turn, slow the subsequent growth of the economy. For these very fundamental reasons, China is slowing the growth of the economy. Agriculture would be down to about 4% and industry something more than 7%, and the average growth rate would be 6.7% over the seventh five-year plan. This is the result of a much more realistic approach to the question of the pace of growth.

The focus of the seventh five-year plan will be on a number of basic reforms. These reforms will center on, first, a further decentralization of economic authority. Enterprise autonomy will be the order of the day. The average enterprise manager will be able to make his own decisions, not only on profit and loss, but also on procurement and marketing. For example, materials and production goods, or capital goods as we call them here, means of production which normally (previous to 1978) were allocated by the state and were not considered commodities in the market, can now be purchased not even through central government agencies but, to a certain extent, on the open market. What will happen as a result is that the enterprise will become the focus of economic growth. Another aspect related to this will force the entrepreneur in China to make decisions which will be effective in terms of economic performance. The market will be the key to pushing up the rate of growth. Finally, in terms of these changes, an important factor will be to improve what in China is known as macroeconomic control.

These macroeconomic controls are not only necessary but they have been proven to be very weak in the previous period, because the basic principle on which these reforms are founded is that government should be divorced from direct management of business. This is a good principle. These macroeconomic controls favour what in China are known as indirect or guidance rules, regulations which indirectly impinge on the policies of the macroeconomics of the enterprises such as, for example, economic mechanisms that can be used to influence the policies of an enterprise such as taxes, interest rates, prices and so forth. This indirect form should take precedence gradually over a period of time over what are called mandatory controls, controls that are directly imposed upon the enterprise.

All of these activities, these new changes, are completely alien to the ordinary practice in the habits of the people who run these enterprises. You have to remember that, before 1978, the government officials ran the enterprises. A question that arises today and that has been a problem during this sixth five-year plan is, can mandarins become managers simply because you change the title of a person from department head to general manager? This doesn't necessarily change the thinking habits and so, in a sense, perhaps the most basic modernization that has to take place in China today, among the four modernizations - the modernization of industry, agriculture, national defence and science and technology - perhaps the fifth modernization is the most fundamental of all, and that is the modernization of man himself, of the people who are doing the modernizing - the modernization of the modernizers. This is, I think, the profound revolution that is going to take place in the next five-year period and further on.

To my mind, the goals of the seventh five-year plan are more important in terms of these reforms than perhaps the growth figures that have been proposed. What I would like to suggest, without going into more details, is its implications for Canada. This seventh five-year plan has perhaps more human implications all across the board than it has merely economic implications or implications for trade. It has implications that have to do with the future and therefore the future of the world. This has implications for human and cultural relationships that will bring China closer to Canada and the rest of the world.

If we look at the trade aspect, first of all I must say that some of the discussions in the papers presented today have already exhaustively discussed the possibilities for expanding Canada's trade with China especially in the field of agriculture. I won't try to repeat any suggestions. However, I would suggest that the seventh five-year plan places emphasis mainly on infrastructural change and agriculture, on energy, transportation, telecommunications and the continuing development of agriculture. The structural changes in Chinese agriculture are tending towards diversifying the production activities of people in the farming sector. Farming is now performed by the household. The idea, for example, of huge tractors being exported to China is not one that has a tremendous future. But what already has been suggested in terms of making better use of agronomic science, in which Canada is far more advanced, to penetrate the Chinese market, will be certainly a much superior approach.

I would suggest that in another area the "re-tooling" and the upgrading of China's 400,000 factories makes a great deal of sense in terms of opportunities for small and medium enterprises in Canada. But, because both agriculture and small- and medium-sized industrial enterprise do not always have the means to sustain the long and difficult process of doing business in China, I would like to suggest that, in cooperation, we attempt to formulate new approaches. For example, this could be accomplished by using time sharing agencies to represent several companies, in addition to using the very much strengthened facilities now provided by our Embassy in Beijing and the Consulate General that has been established in Shanghai. Of course, the Government cannot be agents for private enterprise, but some way of using the system of sharing consultants, or sharing individual agents or representatives on a multiple basis, may be an important way to get into the market. One of the basic weaknesses of Canadian business in China has been the lack of a continuing presence and, if we cannot afford it, we must find a means of doing it on a more cooperative basis.

Finally, let me say again that Canadian business has always been faced with a major re-buff in China in terms of our costs and our financing facilities. Here again I repeat what I've said many times before - I cannot quite understand why it is that we must follow the requirements of the OECD in a different way from the way our European competitors are following them. They also follow OECD rules but, somehow, they become more competitive than we are in their financial instruments. I still cannot understand how that can be, but I hope that we will find some innovative way to solve this problem which will, on the pricing side, make it possible to bring Canada into the Chinese market in a substantial way. Every other advantage lies with Canada because, if there is anything I've heard repeatedly stated about Canada, especially by the Prime Minister, Mr. Zhao Yang, it is that, given the same terms, they would prefer to deal with Canada.

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I became interested in the topic of Chinese negotiating styles because I was struck right from 1972 by the opening taking place between the U.S. and China. We had an anomaly: we were going to have to build bridges between China, a communist state, and the outside world and it would primarily involve businessmen. This was an odd relationship - businessmen and commissars trying to get together and work things out. As somebody who was concerned to make sure that the relationships developed in a healthy, stable way, I found that this was a risky proposition. Negotiating at the bottom line is often an adversarial relationship and if the tensions build up in the negotiation, it can spill over and have effects on the general relationships of the countries and the people.

I think that in early years we did begin to pick up stories from businessmen. They started in with great euphoria about dealing with China and gradually this began to erode. There began to be a certain undercurrent which was more critical. I think that some of this was based on misunderstanding that went back to cultural, not just institutional differences, and not just the problems of carrying on business. With that in mind, I began to do some research, to interview and to study both American and Japanese businessmen. I want to share with you some of my findings.

First of all, let me point out that it is a very hard topic to generalize about. Negotiating usually takes place within some kind of particular context and indeed there are many skillful lawyers who will say you can't generalize about negotiating. It is an art form which you either have or you don't. But I also think that it's somewhat difficult to talk about this problem for a couple of other reasons, both on the Chinese side as well as on the American/Canadian side.

On the Chinese side, you have to understand that the People's Republic is going through a period of policy changes and therefore, what is said about negotiating one day or one year may not hold up the next day or the next year. The Chinese are going through a phase of being very pragmatic. In China, pragmatism is extreme, an extraordinary capacity to shift policies, to change direction, and to change it very quickly. They often apply their brakes with suddenness and they accelerate with suddenness; therefore, what was happening one year can be reversed quite dramatically the next. In 1984 there began a surge in terms of pressure for joint ventures. Just as the American businessmen began to pick up on some of this, in 1985 there began a slowing down on the Chinese side. Often the rhythm gets out of phase. I think the moral is be patient, sort of like New England weather: you don't like it, wait and it will change. The same thing is often true, in terms of the immediate situation in negotiating with the Chinese.

Secondly, there is a problem in terms of the implementation of policy in China. China is a big country with lots of people. We tend to assume that it is a highly disciplined country, and therefore whatever happens in Peking will instantly be picked up all over the country and be carried out. This does not happen. There is human diversity and there are lags, with some places moving in one direction and others in other directions. So what may work in one place or with one enterprise, may not work with another.

Just a couple of weeks ago the Asia Wall Street Journal gave a dramatic illustration of this. The front page story dealt with a mining corporation in Guandhong Province and the essence of the story was that the manager of the mine was frustrated because of Government controls. He could not handle his profits, there was inadequate capital, and so on. Inside there was a story on the fifth 5-year plan, stating tat the whole essence of the plan is that everything will be decentralized. The key sentence in the 5th Five Year Plan is that "except for a few special government departments and industries, no ministries, provinces or autonomous regions will exercise direct control over enterprises". Well, it depends upon the local cadres whether they do or they don't.

I think we also create some problems on our side. On the American scene there was a great deal of enthusiasm and a problem of people rushing into the China market without any clear sense of why they were trying to get into it, beyond the sense of awe: "There is a market of a billion people, my competitor is getting there, so I had better be there". But exactly what you are prepared to do and what you really want is not very clear.

Indeed, to make matters worse, we have something which I've called the Westchester County syndrome, where CEOs want to dash off to China so they can come back and tell their friends at the country club that they've just been to China. And if you haven't just been to China, you really do feel kind of left out of it. I don't know if you saw the cartoon in the New Yorker a week or so ago, in which the wife says to the husband, "You know Elaine Murphy has just been to China, and now we are the only people who haven't been to China."

There is also a feeling that the first in gives you great advantage. We've looked into this a bit and it turns out that the first companies in have not done that well in the China market. Many of them have had in a sense to pay the price of opening operations and they have gone through more frustrating negotiations. There has been a learning process: the Chinese have learned things, and maybe the second and third party that came in often found it much easier for things to proceed, so the pay-offs (of the first in) were not necessarily all that advantageous.

We have to keep in mind the objectives of the westerner (including Japanese) and the objectives of the Chinese. There is a difference even in motive. For the outsider, the attraction, of course, is the China market. One billion people, a sense of a huge untapped market and secondly, a little bit lower down the scale, the idea of cheap labour. The Chinese objectives are quite different. They want advanced technology transfer. Secondly, they want the joint venture to be an exporting joint venture to earn foreign exchange. Most western companies are not that anxious to set up something that is competitive with what they are already producing and they are not necessarily interested in taking on all the costs that the joint venture would involve and all the risks, particularly in selling abroad.

Now, moving to the beginning of the negotiating, one of the problems still there, although not as bad as it was, is who you should do business with and how you find that person. The problem here is that decentralization has been going on rapidly for the last few years. It is often hard for the outsider to figure out who he should seek out as a potential partner and how he finds that person. There are courses, ministries and offices in Peking that give some guidance and guidance can also come from different governments and so on, but there are still problems of finding the proper partner with whom you can be comfortable.

I know of a midwestern cable company that thought they had made a good deal, sewing up the whole China market. In fact they were encouraged to believe this. They negotiated a contract with an enterprise in the Wuhan area. Then they found out that a French firm had gotten in and had a much better deal in terms of the China market. It turned out that the Chinese firms hardly knew each other. The Chinese system has been so cellularly organized, that often people in one province do not know what's going on in the others.

In addition, there is the question of how firm a commitment you should be making as you seek out a partner. I think Nike Shoe has run through three partners, trying them and dropping them, hoping to find some partner that could begin to produce shoes more cheaply than in Taiwan and South Korea. They have not had that kind of luck, but they are quick to drop their partner. On the other hand, Otis Elevator has made a deal with a company and pledged themselves for 30 years. It took them three to four years to negotiate and they are in for a long term. They see this as almost a marriage. They don't really expect profit for quite some time down the road. Quite a different strategy; they're willing to make that commitment and hold onto it.

When you get to the actual negotiating, cultural differences begin to come into play and one should be aware of these in order not to be upset. The westerner tends usually to feel that in order to avoid confusion when there are going to be problems, he should get down to brass tacks and keep things factual. This way, he will not get into rhetoric or into language problems, he will not have to worry about the larger things, but can stick to the concrete, the particular. The Chinese have a preference to go about it the other way. The Chinese want to build a relationship, to get the general principles and an agreement, so there is a great emphasis put on letters of intent and different kinds of initial statements. Westerners often tend to assume these letters of intent are just ritual, a sort of rhetoric that has to be taken seriously, and many CEO's have signed letters of intent without realizing what they signed. The Chinese tend to take those quite seriously and later come back to put pressure on saying that you signed part of the letter of intent, and you seemed to make a commitment in that direction. Therefore, when they get to negotiating details, these letters of intent keep coming back into play. The Chinese idea is that these letters of understanding should influence the whole agreement.

Westinghouse of Canada negotiated with a steam turbine company in Chungdu a letter of intent actually signed in Texas. (I don't know why Texas, but somehow the mood of Texas got to them and they signed this thing). Then they went to China and began to negotiate and it turned out that all the details became rather sticky and the Chinese kept putting pressure on the letter of intent. They had to finally come back to Canada and an agreement was made by telex, but it was not the same kind of smooth process that they had expected.

I should point out here that this pattern was very vivid in terms of the diplomatic negotiations. When Henry Kissinger opened the door, and Richard Nixon stepped along with him, they didn't really have any specific goals, they just wanted to create the impression of a new relationship, therefore they played right into the Chinese preferred strategy. Henry was prepared to agree on general principles and forget about the details, and the Shanghai communiqué was signed. Then, when they began to negotiate for the specifics of normalization, they found out that there were a lot of problems and little issues came up. The Chinese kept saying, "Well, you're not abiding by the spirit of the Shanghai communiqué", and there was a leverage point that the Americans felt should not be entering into the exchange.

I think that this does reflect the difference in attitude, in which the Chinese are seeking a bonding relationship, one within which manipulation is possible. Whereas the westerner often feels that sentiment should be kept separate from business because it's easier to create trust, and beyond that we're not trying to use friendship as a manipulating point. In the Chinese culture, a friendship is an important thing but it has a somewhat different connotation than in our culture.

The next point to note is that the outsider tends to do the negotiating in China. It's not the Chinese coming and making the deal here. Even when they visit American and Canadian plants, it ends up that somehow the American has to go to China to negotiate. The result is that the Chinese are the hosts, and they are masterful hosts. They know how to play the host game with consummate skill and the foreigner is the visitor and the guest and, as the guest, there are certain pressures on him and proprieties he must observe. The guest is of course expected to speak first, and the Chinese tie a great deal of importance to this. You make your proposition first and then they counter it. This is like bazaar negotiating; you state your price and then we'll counter it and so on, and you have to move from whatever you stated first to some kind of middle ground. Having made that first statement, it is assumed that you can't stick with it and, if you do, you are seen as being much too stubborn.

I know of a New Jersey carpet importer who got carried away and bought up the production of several factories at prices he realized later were much higher than anything he would have ever paid in Iran or in India. Yet he had the feeling that he had the most wonderful host. Anyway, the American market can bear it and he hopes later on he will be able to profit, but he admits that he really was taken. So far, he is not regretful but other people might not be as appreciative in a similar situation.

It is also important to note that the Chinese control the agenda and the pace of the negotiations. They control the timing and there is a danger that the American feels himself under pressure. He gets himself caught up because an American often has a great concern about being a failure, about coming back without a sale, without something to show for the trip, and this is a self-imposed pressure. I know a West Coast lawyer, however, who gets around this by stating right from the beginning what his agenda is, what his time is and when he'll next come to China. If they can't make a deal now, he'll come back at a later date and it's up to the Chinese what they want to do.

Diplomatically, this pressure has been very dramatic. With presidential and secretary of state visits to China there always has been a sort of whisper: will the trip be a success or a failure? What is success and what is failure is often a very vague thing but the Chinese will whisper success and failure and in this way apply indirect subtle pressures.

Usually there's a certain vague thought that success means a lot of good things will happen, but the Chinese are very skillful in holding back what the good thing is. So in the first stage of the negotiation there is essentially a passive Chinese posture, listening and picking up information and sorting it out. During this phase, the western or American salesman is egged on by his own style. He feels the Chinese are not getting excited enough about his product.

I know an airplane parts salesman who got carried away tremendously and began to push and make promises on which he could not later deliver. He was just trying to win the Chinese over and he felt that he couldn't seduce them enough without getting more carried away.

But then suddenly the Chinese can change. It is often quite surprising when suddenly they say that the deal is possible; so you get this passive posture and then the sudden move in an unexpected moment. In part, this is because the Chinese have their internal decision making problems and processes that you are not privy to. Maybe what seems to be slow negotiating is not really caused by the problems that are explicitly on the table but instead, the Chinese may have to work out things within their ministry or department. When they make the decision it may not be necessarily in response to what you have done. You may think it is and you may have fantasies of glory, but maybe its just entirely of their own working.

What I think is important to appreciate here, is that the Chinese style, by and large, is not really a quid pro quo style. It's not based upon the idea of explicit exchanges. They see a deal as coming out of mutual interests, which flow together in a bonding and building of a relationship, rather than one deal and another balancing and coming to a point where both of you are better off.

There is great emphasis on the idea of friendship. In Chinese culture, one becomes almost instantly old friends and you become a "lao pengyou" on the second trip to China. It is very easy but don't minimize this; they do mean friendship but at the same time, this does not mean that you are moving toward a quid pro quo relationship. In the Chinese system of relationships, in a quasi-personalized relationship, it is quite possible for one party to be the constant receiver of benefits and the other the constant giver. It doesn't have to be a balanced and constant exchange. Indeed, one of the complaints that has crept up in our cultural exchange relations with China has been the lack of what we call reciprocity. Americans keep thinking, "Gosh, if we do this favour for them, well, they ought to do this favour for us". The Chinese tend to think that a good relationship can be built up with your side providing training to Chinese and it is not too clear as to what the return is except that it makes you have "face". You gain face, you are an important actor in this scene, therefore you have an important relationship.

Along with this, you have to understand the other side; that the Chinese will treat explicitly any kind of mistakes or failings on your part, and they may be quick to spot them. They won't necessarily slough over them. The Chinese feel that there is advantage in shaming the other party. They feel that to be shamed will make you behave better and they use shame to improve conduct in bringing up their own children. Note how in the relationship between the U.S. Government and Peking, there is a constant sort of pressure there: not enough technology transfer, the Americans are at fault, textiles were at fault, Taiwan was at fault. There constantly are little themes of being at fault. On the other hand, be very careful not to try to play the game in reverse. The Chinese are very thin-skinned about this and they will feel that you are not playing, you are reversing things and this would not be appreciated. It's not assumed that you are in the position of being the rightful one to be shaming them. This is claiming something that is not your prerogative as the outsider.

Something that goes with it is that the Chinese have tended to be very concerned that they are going to be cheated. There is a tendency to suspect the other guy is probably in there for profits, and profits is still not exactly thought of as a good word. People motivated too much by profits are not necessarily to be trusted. Secondly, there is a certain suspicion that the outsider is likely to cheat the Chinese and maybe, looking at their history, they have good reason for this.

So, the result is that Chinese pragmatism does not come down clearly to what is the most useful thing, it comes down to what is the most advanced and sophisticated. And they don't want to feel that they've been sold second grade technology. Note how this is completely different from the Japanese approach. The Japanese, in the 1940s and 50s, when they were rebuilding, came and bought penultimate technology, which Americans tend to sell very cheap. And we sold it and sold it, so that the Japanese were paying something like \$5 billion a year for penultimate technology, not ultimate, and then they built on that and made the improvements on it. General Electric still feels bad about what it did for Sony on a few things that sold much too cheap.

The Chinese have tended to want generally the most advanced; although I just heard an example this morning where they are not doing that, which makes me feel encouraged. But we do know that the top level, including Deng Xiaoping, have read Alvin Toffler's "The Third Wave", where he talks about the first and second industrial revolutions. The third revolution is going to be computers and information technology. The Chinese have taken the attitude that, "we missed out on the first two, so let's jump into the third and not be left behind". But of course it's not that easy. When you come to drawing up the contract, another thing that is important to recognize is that nothing is really final. You can sign the contract and then almost immediately after it is signed you can get back into the negotiating process again. Americans tend to have a feeling that once a contract is signed, somehow the legal imperatives take over and things will stay in a static level for a while. The Chinese see this more as a sign that the relationship is really building up and progressing, and now it is possible to ask for other concessions. So immediately after the contract signing, you may find that the negotiations are right back again.

A company from Illinois signed their agreement and sent the whole team back except one person. The next morning after the farewell banquets and so on, the Chinese said to him, alone now, "Why don't we go back to a couple of details that we sort of smudged over and want to change", and he was absolutely horrified.

The westerner tends to want to put a lot of things down on paper but in the Chinese situation, some things have to be left to tacit understanding. First of all, they have a lot of problems in management themselves. Many times there are things beyond the firm's control: the supply of energy and transportation, among other things. Your Chinese counterpart can not really make a pledge the way he would like to. He has to operate on guesses and hope for the situation.

What I'm really saying is that there's a different approach that goes into our different cultures. The Chinese have a culture that stresses the particular human relationship. We have one which wants to have the same principles applied and we want to make the same agreements in terms of the law. We feel that the law is what gives us the best protection, the best security, and the best stability. They tend to see that the better security comes out of that human relationship. But that also means that the human relationship is a relationship which you can try to put pressures on. We often feel that you don't put pressures on friends. The Chinese often feel exactly the opposite; they feel that you can borrow money from friends. In our culture, you don't often borrow from friends - except maybe from bankers who pretend to be friendly. But in the Chinese case, in fact, a man will often use "how much money can I borrow from him" as a test of how good the friendship is.

With these things in mind, let me try to lay out some general rules to guide you.

First and foremost, be yourself in any kind of negotiating. Be sensitive to what the Chinese style is, be sensitive to their ways of doing things but don't get the illusion that you can become an old China hand overnight. Don't have the illusion that you can play the Chinese game better than they can play it because you can't, I promise you.

Secondly, it is very important to be patient, and this has caused many headaches, at least for Americans. They want to get in but often they are very short-sighted, looking for quick profits. I think that you have to think of this as a much more long-term relationship and even the negotiations have to be slow. It can be very frustrating during that period.

Thirdly, you have to recognize that China is in a process of change. China is changing and China will continue to change and we are not quite sure where it is changing to. There is a historical process going on, and it is going very much the way we would like to see. What's there today will maybe evolve in better ways, or it may not.

Fourth, remember that the relationships are not governed by formal contracts but much more by the personal relationship. And don't count on the formal contract being completely binding. It doesn't mean that the Chinese won't use the words of the contract against you if it is to their advantage. They are not fools, they can see that if they can use leverage that way they will, so be prepared for some surprises along that line. Be prepared for misunderstandings, and don't engage in recrimination. This is a new process both for you and for them and there will be different kinds of misunderstandings. You just have to take it because that's the way life is. Just work it out, try to explain what you're understanding was and why you think there was a misunderstanding. Don't try to put the monkey on the other fellow's back, because it will only cause trouble for you.

Finally, try to understand the Chinese spirit of friendship as it is extended from their side and accept it in those terms. There is a meaningful spirit of friendship, but it is also one in which they feel that they can blend that friendship with materialistic considerations. Understand that the idea of work and play are not necessarily separated. In the middle of the banquet you can suddenly have the details of the contract coming up. Suddenly you are caught when you are drinking too much in what you thought was just a relaxed moment. Understand that this is what is going to happen, that it is a part of the style of friendship and in a sense you can go along with it. You may find it very interesting.

In short, we're engaged in a very interesting and new development, which has been going on for several years, and more and more people are beginning to learn from this. Unfortunately, there have been many who have come back embittered and have been spreading all kinds of comments about the frustrations. But I think that this is a function of the degree of expectation that people have had and, as we move into the next round, as we begin to work with people at the plant level, you are going to find that there will be more realistic patterns evolving. But the cultural factors will still be there, they won't change and therefore it is well to be alerted to them.

CLOSING REMARKS

Honourable Charles Mayer
Minister of State (Canadian Wheat Board)

It's a pleasure for me to be here today and outline my thoughts on the importance of Canada's trade with China. I think you'll agree that Agriculture Canada, the Canadian International Development Agency and the Department of External Affairs have managed to squeeze a lot of useful information into the past two days.

I am sure you have all benefitted from the insight and experience provided by the private sector and provincial government representatives. More importantly, the federal government has had the opportunity to listen to the concerns of the agribusiness sector and the provinces on the delivery of its programs, assistance and general involvement in agricultural trade.

As this strategic session draws to a close, I hope we're all a little better prepared to deal with the challenges posed by China, and are able to respond competitively and knowledgeably to this growing market for Canadian agribusiness.

Also, I think it's safe to say this session is indicative of the close cooperation and consultation that both the agriculture industry and the government take pride in, and which is in fact necessary. My own experience as a farmer and as Wheat Board Minister has taught me how valuable a customer China is. The People's Republic is Canada's fifth most important export customer, overall. In 1985, our total domestic exports to China amounted to \$1.3 billion.

Our agricultural exports stood at \$477 million in 1985. The grain component of this figure accounted for \$446 million. China continues to be one of our most important markets for grain, despite the fact that this trade is outside a long-term agreement. Canada's wheat trade with China has provided the basis for a long history of good commercial relations between China and Canada. In this context, China has purchased large quantities of wheat both within and outside long-term agreements each year since 1961. This government is aware of the potential this market offers. The Prime Minister will visit China in May, and I will lead a trade delegation in June. These visits are aimed at expanding our commercial and personal ties.

This conference has provided the government with valuable information. We now have a better idea of how to assist Canadian exporters who want to break into, or increase their share of, the Chinese market. Your recommendations and findings will be useful to the Prime Minister and myself.

I would like to remind conference participants of the focus of the federal government's trade strategy. While the Government of Canada is looking to enhance trade with the United States, we also have singled out the Pacific Rim as a region of great export potential.

Under the direction of International Trade Minister James Kelleher:

- we've already opened new trade offices in Bombay and Osaka;
- a third office is scheduled to open soon in Shanghai;
- we've doubled the number of trade officers in China; and,
- \$35 million of the \$42.5 million earmarked for trade promotion over the next four years will be directed at the Asia-Pacific region.

Together we can work toward improving international trade in agricultural goods. That's why such strategic meetings as "The China Challenge" are important.

Our farmers depend on export markets. Half of Canada's farm cash receipts come from export sales. At meetings such as this, industry and government can formulate plans which will help Canada compete more effectively in the international marketplace.

The world is changing. Let's recognize and deal with the changes. Changes in foreign demand and foreign supply affect Canadian agriculture more than anything else save, perhaps, Mother Nature.

Grain stocks or reserves no longer solely contribute to creating stable market conditions. Stability in monetary and fiscal policy have a very important effect.

The demands in the Chinese market are changing. In the past, Canada exported agricultural commodities. Now, the priorities are shifting to agricultural technology and expertise, as China increases her self-sufficiency in food production. This involves technology in all aspects of the food industry, from preparing the fields to packaging and distributing the products for consumption.

These are just some of the changes that are occurring in the international marketplace - changes Canadian agribusiness exporters must deal with. As an industry, your job is to expand your markets. As a government, our role is to help you.

Part of the government's role is to open up the lines of communication with Canada's trading partners. We can't afford to get locked into positions of isolation. Let me give you an example of why such an approach is necessary.

The EEC's Common Agricultural Policy and the U.S. Farm Bill are resulting in escalating subsidization. Each nation is concerned over the other's subsidies. But Canada is just as concerned, because we rely on exports more heavily than do the United States or the EEC. We question their methods.

The dangers of competing in a treasury war are evident. Governments spend a lot of money, the international price is driven down, and farmers' rate of return is severely reduced.

There is a lot to be gained by having a chance to sit down with the competitors around the world. We might have a better understanding of where we're going. If we can do that, and have a better understanding of the problems that we all face - and even if we can just agree that we have common problems - I think we will make some progress. Otherwise, we could go off in directions that in some ways cause problems or accentuate the very conditions that we're trying to correct. One of the ways to stop this is by communicating.

The Prime Minister has often referred to the need for a better and more predictable set of trade rules for our two countries. These would serve as an example to the world of how to best deal with trade problems.

The upcoming GATT session is a good forum in which to pursue more sensible trading practices for agricultural commodities. Our government already has emphasized the importance of this issue to participants at this month's OECD session in Paris.

Key to progress at GATT is a degree of understanding and agreement between the U.S. and Canada. Freer and fairer trade is not limited to goods travelling north and south. All nations should join in efforts to enlarge and enhance the world trading system for the benefit of all.

And here's where our efforts begin - at sessions like "The China Challenge". But this is not where our efforts end.

When we wrap up in a few minutes, don't leave behind what we've learned over the past two days. The things we've been discussing aren't meant to stay on the pages of our notebooks. We have to turn a new page, and together write a new chapter.

The real test of whether, in fact, this meeting has been a success is going to be in how we pursue what we've talked about in the last couple of days. We're here as government to support and to help in any way we possibly can. But it's up to all of us, individually - as best we can in our own areas of responsibility and interest - to pursue trade.

Again, it is important that, whenever we go out of the country, we send a signal that we're together and that we go as a united front in promoting trade.

WORKING GROUPS' CONCLUSIONS AND RECOMMENDATIONS

INTRODUCTION

Conference participants were assigned to working groups, each with a leader and a rapporteur. Each group discussed the same topics: (a) export financing; (b) priorities for commodities and other exports; (c) geographic priorities and (d) government priorities. The points under each heading are a summary of the recommendations brought forth by the groups.

Please note that an attempt has been made to indicate when these conclusions or recommendations are the opinions of individuals rather than groups. In most cases, they were kept as close as possible to the original; however, some have been modified in order to reflect the consensus of opinions in the different working groups.

1.0 EXPORT FINANCING

- 1.1 There was general agreement that the 8.8% EDC rate is non-competitive with that offered by others, e.g. Japan and EEC countries. As a result, the existing EDC line of credit has not been fully utilized.
- 1.2 There is a need for concessional financing and/or mixed credit arrangements; also more flexibility in EDC financing would be desirable. A program of concessional credit should not be administered by CIDA but rather by a commercial bank (or EDC), because it should be trade-related and not be construed as aid. The EDC could perhaps provide a guarantee if credit is provided by a commercial bank.
- 1.3 Government funded projects should perhaps be evaluated on a cost-benefit basis. For example, how many jobs are created in Canada by a particular project?
- 1.4 Exporters are encouraged by EDC to have a financing package in place prior to arriving in China. However, exporters find that this is not always possible due to requirements for information which can only be determined during negotiations with Chinese counterparts.
- 1.5 All groups felt countertrade has been neglected by the federal government. Canadian companies need better access to countertrade and information to engage in it. The government's role could be to supply information on commodities available for countertrade. Given that there may be an increasing demand for countertrade, the government should perhaps reconsider this question. The longer Canada is involved with trading in China the more pressure there will be on Canada to buy Chinese goods and countertrade is one avenue which might facilitate purchases. Countertrade should be discussed on a government to government basis.

- 1.6 Agribusiness should be given every opportunity to capitalize on the fact that Canada is a preferred trading partner of China because of Canada's long-standing relationship with China. Better information should be made available by EDC on competitor's financing rates, programs, etc.
- 1.7 Before leaving Canada trade missions should have a complete briefing on what Canada has to offer in terms of financing for specific commodities, as well as Chinese negotiating style, market studies, etc.

2.0 PRIORITIES FOR COMMODITIES AND OTHER EXPORTS

- 2.1 In the short term, Canada has obvious market advantage in grain and grain storage; fertilizer; livestock; dairy management and poultry stock. Exports of animal and plant genetic material should also be an area of future concentration.
- 2.2 China appears to be becoming self-sufficient in wheat and coarse grains and it is therefore important that Canada diversify the future product line made available to the Chinese. However, it is unwise for Canada to place too much emphasis on any one particular commodity. One group stated that very little attention should be paid to crop production as China will eventually compete against us in that area; however, another group held a conflicting opinion that the average consumer demand of the Chinese will increase faster than their ability to produce, thereby leaving a continuing market for Canadian firms.
- 2.3 Food processing and storage technology is another area of expertise which could be made available for export to China. Canada has also a good potential in food irradiation technology. However, it is recognized that Canada is very weak in its production capacity of food processing equipment and it should not be emphasized too much.
- 2.4 One group felt that exporting of Canadian agricultural machinery to China appears to be a fruitless exercise.
- 2.5 The private sector should set priorities and the government should be in a position to respond to and support these initiatives. Activities could perhaps be handled by commodity organizations with a sectoral emphasis (e.g. livestock).
- 2.6 One group suggested that officers at the Canadian Embassy in China should establish a priority for incoming requests; the Embassy should decline requests for non-competitive goods and services and should be moving toward priority commodity lists.
- 2.7 CIDA should not rely totally on Chinese priorities.
- 2.8 Canada might be exporting technology to her ultimate disadvantage. It is therefore important that she keep abreast of new technological developments, with Research and Development progressing fast enough to keep ahead of technological exports.

- 2.9 There is a strong need for companies to work together as consortia.
- 2.10 One participant felt that there is no commercial benefit in the areas of animal health and nutrition, range management, soil and land surveying and seed production.

3.0 GEOGRAPHIC PRIORITIES

- 3.1 There was general agreement that exporters should concentrate on those areas where there are best business prospects.
- 3.2 The areas in China which are compatible with the Canadian climate (e.g. Northern China) are worth emphasizing for seeds and livestock. However, for many other exports with a high technology component, geographic diversification should be encouraged. The government could play a role here by giving more information to the business sector and the sector should identify the geographical priorities.
- 3.3 At the present time there is too much duplication amongst provinces. The twinning arrangements by the provinces lead to unnecessary interprovincial competition which reflects Canada's interprovincial complexities. Furthermore, twinning arrangements with one province may limit the future activities with other Chinese provinces.

4.0 GOVERNMENT PRIORITIES

- 4.1 Specific contacts in China should be better identified.
- 4.2 More coordination amongst government departments is required.
- 4.3 Many groups said that additional Canadian officers with agricultural expertise are required in the Embassy. There is some mistrust of Canadian Embassy personnel regarding confidentiality. The trade sector should be separated from the political sector in the Embassy.
- 4.4 The government should facilitate Canadian business students to obtain experience in China.
- 4.5 The government should provide office space in Beijing and/or Shanghai (and perhaps elsewhere in the long-term) with typists, communication equipment, translation services, travel assistance and conference facilities which Canadian companies or provinces could lease by the month or year, on a user-fee basis.
- 4.6 Government assistance should be well targeted to avoid duplication of efforts, especially federal-provincial overlap. Federal and provincial governments should meet two or three times a year.

- 4.7 The education/research approach in China is extremely important. Courses should emphasize practical, hands-on experience. The importance of scientific exchanges, training and research facilities, as support to Canadian sales, was emphasized. The support of Chinese students studying in Canada also has a high pay off.
- 4.8 Although one group suggested establishing a permanent Model Farm in China for Canadian agribusiness interests, it was also mentioned that such a project (e.g. dairy experimental farm) could be too costly for Canadian public funds.
- 4.9 It was stated that a certain amount of government financial support is made available to inexperienced exporters. The government should ensure that recipients have the resources to pursue future activities in that market. CIDA and other programs should give priority to firms with a proven track record. Also projects that are not commercially viable in the private sector should not be adopted by the government.
- 4.10 The Chinese should be encouraged to adopt international commercial standards (e.g. sizing, quality control, seed quality, etc.).
- 4.11 The Canada-China Trade Council could serve the private sector better if it had a broader agricultural base.
- 4.12 The government should put its efforts into dealing with the regulatory aspects that facilitate trade. Government technical experts serving as negotiators of trade agreements should be well trained and should monitor the situation in order that things run smoothly after agreements have been signed.
- 4.13 The Canadian government should provide more legal guidance to Canadians dealing with the Chinese.
- 4.14 The government should help the private sector to keep informed of contracts available and of activities supported by the World Bank (IBRD) and the Asian Development Bank (ADB).
- 4.15 The federal and provincial governments should clearly establish which Canadian regions have a comparative advantage in which commodities.
- 4.16 It was pointed out in one group that staff cutbacks in governmental inspection services have been detrimental to exporters (e.g. livestock). Ideally, these positions should be reinstated and, if not possible, they should be filled by contracting private veterinarians.
- 4.17 There is a lack of information available to the private sector. A directory of China "specialists" in different levels of government would be useful. Information on government programs should be reported and circulated periodically.

- 4.18 The credibility and visibility of trade missions are important. Selection of appropriate participants was criticized. The selection should be based on the person's competence and ability. Perhaps participants should pay a larger share of their costs and be better briefed.
- 4.19 The Chinese incoming missions with appropriate selected people, were noted as extremely valuable. Incoming missions in poultry and livestock management were suggested.
- 4.20 Many private companies in Canada expect the government to do too much and it is therefore important that the private sector take more initiative in developing this market. Private sector firms could make more effort to access Chinese periodicals and other publications containing trade information.
- 4.21 One group mentioned that business is being reduced through other countries' government to government purchasing agreements, therefore the Canadian Government should use more bilateral agreements to enhance sales on a government to government basis.
- 4.22 The private sector should be involved in CIDA's planning process.
- 4.23 All groups agreed that follow-up to this conference is necessary. A follow-up meeting should be organized within 12 to 24 months this time using the sectoral approach (e.g. dairy, grains, livestock, etc.). It could include Chinese counterparts or be enlarged to the Pacific Rim.

CONCLUSIONS ET RECOMMANDATIONS DES GROUPES DE TRAVAIL

INTRODUCTION

Les participants à la Conférence ont été répartis en groupes de travail, comportant chacun un président et un rapporteur. Chaque groupe a étudié les mêmes questions: (a) le financement des exportations; (b) les produits et denrées prioritaires; (c) les régions cibles; et (d) les priorités gouvernementales. Les points présentés sous chaque rubrique constituent un résumé des recommandations mises de l'avant par les groupes.

Nous avons tenté de préciser, dans les conclusions ou les recommandations, le fait que certaines opinions sont celles de particuliers plutôt que de groupes. Dans la plupart des cas, nous nous en sommes tenus le plus possible à l'original; toutefois, nous avons dû modifier certaines conclusions ou recommandations pour traduire le consensus des divers groupes de travail.

1.0 LE FINANCEMENT DES EXPORTATIONS

- 1.1 Tous les participants ont convenu que le taux de 8,8% de la SEE ne supporte pas la concurrence de celui offert par les autres pays, par exemple le Japon et la CEE. Par conséquent, la marge de crédit actuelle de la SEE n'a pas été pleinement utilisée.
- 1.2 Il y a place pour un financement de compromis ou pour des ententes de crédit mixtes; il serait également souhaitable d'assouplir le financement de la SEE. Le programme de crédit de compromis ne devrait pas être administré par l'ACDI, mais plutôt par une banque commerciale (ou la SEE), car il devrait être axé sur le commerce et non pas être considéré comme une aide. La SEE pourrait fournir des garanties si le crédit était offert par une banque commerciale.
- 1.3 Les projets financés par le gouvernement devraient peut-être être évalués selon leur coût et leurs avantages. Par exemple, combien d'emplois sont créés au Canada par un projet particulier?
- 1.4 La SEE encourage les exportateurs à établir leur plan de financement avant d'arriver en Chine. Toutefois, les exportateurs sont d'avis que cela n'est pas toujours possible parce que certains renseignements peuvent seulement être obtenus au cours des négociations avec leurs homologues chinois.
- 1.5 Tous les groupes estiment que le gouvernement fédéral n'a pas accordé l'attention voulue aux échanges compensés. Les entreprises canadiennes doivent avoir un meilleur accès au commerce de contrepartie et aux renseignements requis. Le gouvernement pourrait fournir les renseignements nécessaires concernant les produits disponibles à l'échange de contre-partie. Comme il pourra exister une demande croissante pour ce genre de commerce, le gouvernement devrait peut-être réétudier la question. A mesure que des liens commerciaux se tisseront entre le Canada et la Chine, les Chinois exerceront certaines pressions sur le Canada pour que ce dernier achète leurs produits, et les échanges compensés sont peut-être une des façons de faciliter ces achats. Ces échanges devraient être débattus entre les deux gouvernements.

- 1.6 Les entreprises agro-alimentaires devraient pouvoir profiter du fait que le Canada est un partenaire commercial privilégié pour la Chine, en raison des relations qui existent depuis longtemps entre les deux pays. La SEE devrait diffuser des renseignements plus détaillés concernant les taux de financement, les programmes, etc. de nos concurrents.
- 1.7 Avant de quitter le Canada, les missions commerciales devraient posséder un tableau complet de ce que peut offrir notre pays en ce qui a trait au financement de biens particuliers, de même que des détails sur la façon dont les Chinois négocient, des études de marché, etc.

2.0 LES PRODUITS ET DENRÉES PRIORITAIRES

- 2.1 A court terme, le Canada a un avantage évident sur les marchés des céréales et de l'entreposage des céréales, des engrais, du bétail, de la gestion laitière et de la volaille. Les exportations de matériaux génétiques animal et végétal sont également un domaine digne d'être étudié.
- 2.2 La Chine semble devenir rapidement autonome pour le blé et les céréales secondaires; il est donc important, que le Canada diversifie, à l'avenir, la production offerte à ce pays. Toutefois, il serait peu sage de trop miser sur un produit en particulier. Un groupe a déclaré qu'on ne devrait pas s'attarder à la production agricole, car la Chine entrera un jour en concurrence avec le Canada dans ce domaine; toutefois, un autre groupe était d'un avis diamétralement opposé, estimant que la demande du consommateur chinois moyen s'accroîtra plus rapidement que la capacité de production du pays, offrant ainsi une niche aux entreprises canadiennes et à leur marché.
- 2.3 La transformation des aliments et les techniques d'entreposage constituent un autre domaine où nous pourrions peut-être exporter nos compétences en Chine. Le Canada possède également de bonnes connaissances dans l'irradiation des aliments. Toutefois, il faut reconnaître que la capacité de production canadienne est faible en ce qui concerne l'équipement de transformation des aliments, c'est pourquoi il ne faudrait pas trop forcer la note dans ce domaine.
- 2.4 Un groupe était d'avis que l'exportation de machines agricoles canadiennes à la Chine semblait un coup d'épée dans l'eau.
- 2.5 Le secteur privé devrait établir des priorités et le gouvernement devrait être en mesure de répondre à ces initiatives et de les appuyer. Les organismes producteurs sectoriels (p.ex.: le bétail) pourraient peut-être se charger de ces activités.

- 2.6 Un groupe a proposé que les fonctionnaires de l'ambassade du Canada en Chine établissent une priorité aux demandes présentées; l'ambassade devrait refuser les demandes pour des biens et services non concurrentiels et songer plutôt à dresser des listes de produits prioritaires.
- 2.7 L'ACDI ne devrait pas se fier uniquement aux priorités chinoises.
- 2.8 Le Canada pourrait se brûler les ailes en exportant sa technologie. Il est donc important de se tenir au courant des nouveaux progrès technologiques, la recherche-développement progressant assez rapidement pour devancer les exportations technologiques.
- 2.9 Il faut absolument que les entreprises se groupent en consortiums pour collaborer.
- 2.10 Un participant estimait que les domaines de la santé et de la nutrition animale, de l'aménagement des pâturages, des études sur les terres et les sols, et de la production des semences n'offrent aucun intérêt au point de vue commercial.

3.0 LES RÉGIONS CIBLES

- 3.1 On a convenu que les exportateurs devraient se concentrer sur les domaines qui offrent les meilleures perspectives commerciales.
- 3.2 Les régions de Chine qui ressemblent aux régions canadiennes, côté climat (par exemple le nord de la Chine) méritent qu'on s'y intéresse en priorité, surtout pour les semences et le bétail. Toutefois, pour de nombreuses autres exportations possédant un fort élément technologique, il faudra encourager une meilleure diversification géographique. C'est ici que le gouvernement pourra jouer un rôle en fournissant plus d'information au secteur commercial; par la suite, ce dernier pourra déterminer les priorités géographiques.
- 3.3 Il existe actuellement beaucoup trop de doubles emplois entre les provinces. Les jumelages de provinces ont provoqué une concurrence interprovinciale inutile qui traduit bien les complexités interprovinciales du Canada. De plus, le jumelage avec une province risque de limiter les activités futures avec les autres provinces chinoises.

4.0 LES PRIORITÉS GOUVERNEMENTALES

- 4.1 Il faudrait mieux identifier les contacts particuliers avec la Chine.
- 4.2 Il faut établir une meilleure coordination entre les ministères gouvernementaux.

- 4.3 De nombreux groupes étaient d'avis que l'ambassade avait besoin de plus de fonctionnaires canadiens possédant des compétences en agriculture. On craint les indiscretions du personnel de l'ambassade du Canada. Le secteur commercial devrait être séparé du secteur politique à l'ambassade.
- 4.4 Le gouvernement devrait faciliter les stages d'étudiants canadiens en commerce qui pourraient acquérir une certaine expérience en Chine.
- 4.5 Le gouvernement devrait fournir des bureaux à Beijing ou à Shanghai (et peut-être ailleurs, à long terme), avec dactylographes, équipement de communication, services de traduction, aide aux voyageurs et installations pour les conférences; les sociétés ou les provinces canadiennes pourraient louer ces services au mois ou à l'année, en payant des frais d'utilisation.
- 4.6 L'aide gouvernementale devrait être mieux orientée afin d'éviter le double emploi des efforts, surtout le chevauchement fédéral-provincial. Les gouvernements fédéral et provinciaux devraient avoir des rencontres deux ou trois fois l'an.
- 4.7 Le point de vue éducation-recherche est extrêmement important en Chine. Les cours devraient mettre l'accent sur l'expérience pratique. On a souligné l'importance des échanges scientifiques, des installations de formation et de recherche pour appuyer les ventes canadiennes. L'aide aux Chinois qui étudient au Canada est aussi très rentable.
- 4.8 Même si un des groupes a proposé l'établissement d'une ferme modèle permanente en Chine pour promouvoir les intérêts des entreprises agro-alimentaires canadiennes, on a aussi souligné que ce projet (p.ex.: une ferme laitière expérimentale) coûterait trop cher au trésor public canadien.
- 4.9 On a précisé que le gouvernement offrait un certain appui financier aux exportateurs débutants. Le gouvernement devrait s'assurer que les bénéficiaires possèdent les ressources nécessaires pour poursuivre leurs activités dans le marché visé. L'ACDI et les autres programmes devraient favoriser les entreprises qui ont déjà fait leurs preuves. En outre, le gouvernement ne devrait adopter aucun projet qui ne serait pas rentable commercialement dans le secteur privé.
- 4.10 On devrait encourager la Chine à adopter les normes commerciales internationales (p.ex.: formats, contrôle de la qualité, qualité des semences, etc.).
- 4.11 Le Conseil commercial Canada-Chine pourrait mieux desservir le secteur privé s'il possédait une base agricole plus étendue.

- 4.12 Le gouvernement devrait faire tous les efforts possibles pour résoudre les aspects de la réglementation susceptibles de faciliter le commerce. Les spécialistes techniques du gouvernement qui s'occupent de négocier les ententes commerciales devraient posséder une bonne formation et surveiller la situation pour que les choses se déroulent bien une fois les ententes signées.
- 4.13 Le gouvernement canadien devrait fournir plus de conseils juridiques aux Canadiens qui traitent avec les Chinois.
- 4.14 Le gouvernement devrait aider le secteur privé à se tenir au courant des marchés disponibles et des travaux appuyés par la Banque mondiale (BIRD) et la Banque asiatique de développement (BAD).
- 4.15 Les gouvernements fédéral et provinciaux devraient préciser les régions canadiennes qui possèdent des avantages relatifs pour certains produits.
- 4.16 Un des groupes a souligné que les réductions des effectifs aux services d'inspection gouvernementaux avaient nui aux exportateurs (p.ex. pour le bétail). Idéalement, ces postes devraient être rétablis et, si cela n'est pas possible, ils devraient être occupés par des vétérinaires contractuels du secteur privé.
- 4.17 Le secteur privé ne bénéficie d'aucune source d'information. Un répertoire de "spécialistes" de la Chine oeuvrant aux divers paliers de gouvernement serait utile. L'information concernant les programmes gouvernementaux devraient faire l'objet d'un compte rendu diffusé à intervalles réguliers.
- 4.18 La crédibilité et la visibilité des missions commerciales sont importantes. Le choix de participants compétents a été critiqué. Ce choix devrait s'appuyer sur la compétence et les aptitudes de la personne. Les participants devraient peut-être payer une plus grande partie de leurs frais et être mieux préparés.
- 4.19 Les représentants chinois compétents qui viennent en mission constituent un apport très utile. On a proposé des délégations spécialisées en élevage de la volaille et du bétail.
- 4.20 Plusieurs sociétés privées canadiennes attendent trop du gouvernement, il est donc important que le secteur privé prenne plus d'initiative pour faire progresser ce marché. Les entreprises pourraient s'efforcer davantage de se procurer des périodiques chinois et autres publications d'information commerciale.

- 4.21 Un groupe a mentionné que les ententes commerciales conclues par les gouvernements d'autres pays avec le gouvernement chinois réduisent les possibilités offertes aux entreprises et que, par conséquent, le gouvernement canadien devrait recourir davantage aux ententes bilatérales entre gouvernements pour promouvoir les ventes.
- 4.22 Le secteur privé devrait participer au processus de planification de l'ACDI.
- 4.23 Tous les groupes se sont entendus sur la nécessité d'un suivi. Une réunion de suivi devrait avoir lieu d'ici 12 à 24 mois, organisée cette fois par secteur (p.ex.: l'industrie laitière, les céréales, le bétail, etc.). Des homologues chinois pourraient y participer, ou elle pourrait englober tous les pays du Pacifique.

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FACTEURS DE CONVERSION

Unité métrique	Facteur approximatif de conversion	Donne
LINÉAIRE		
millimètre (mm)	x 0,04	pouce
centimètre (cm)	x 0,39	pouce
mètre (m)	x 3,28	pied
kilomètre (km)	x 0,62	mille
SUPERFICIE		
centimètre carré (cm ²)	x 0,15	pouce carré
mètre carré (m ²)	x 1,2	verge carrée
kilomètre carré (km ²)	x 0,39	mille carré
hectare (ha)	x 2,5	acre
VOLUME		
centimètre cube (cm ³)	x 0,06	pouce cube
mètre cube (m ³)	x 35,31	pied cube
	x 1,31	verge cube
CAPACITÉ		
litre (L)	x 0,035	pied cube
hectolitre (hL)	x 22	gallons
	x 2,5	boisseaux
POIDS		
gramme (g)	x 0,04	once
kilogramme (kg)	x 2,2	livre
tonne (t)	x 1,1	tonne courte
AGRICOLE		
litres à l'hectare	x 0,089	gallons à l'acre
	x 0,357	pintes à l'acre
	x 0,71	chopines à l'acre
millilitres à l'hectare	x 0,014	onces liquides à l'acre
tonnes à l'hectare	x 0,45	tonnes à l'acre
kilogrammes à l'hectare	x 0,89	livres à l'acre
grammes à l'hectare	x 0,014	onces à l'acre
plants à l'hectare	x 0,405	plants à l'acre

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